

Comprehensive Annual Financial Report

For the Fiscal Year ended June 30, 2019



City of East Palo Alto, California

The City on the Move

City of East Palo Alto

East Palo Alto, California

Comprehensive Annual Financial Report

For the year ended June 30, 2019

Prepared by:
Finance Department

City of East Palo Alto
Comprehensive Annual Financial Report
For the year ended June 30, 2019

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CITY OF EAST PALO ALTO
DEPARTMENT OF FINANCE
2415 University Avenue, East Palo Alto, CA 94303

December 30, 2019

Honorable Mayor Regina Wallace-Jones
Honorable Vice Mayor Carlos Romero
Members of the City Council
City Manager, and Citizens of the
City of East Palo Alto, California

**THE COMPREHENSIVE ANNUAL FINANCIAL
REPORT OF THE CITY OF EAST PALO ALTO**

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the City of East Palo Alto for the fiscal year ended June 30, 2019. It is the policy of the City of East Palo Alto to annually publish financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by an independent firm of certified public accountants. This CAFR report is published to fulfill that requirement.

Management assumes full responsibility for the accuracy of the information contained in this report. We believe this CAFR to be complete and reliable in all material respects. In order to provide a reasonable basis for making this representation, we have established a comprehensive framework of internal controls. These controls are designed to protect the City's assets from loss, theft, or misuse and to record and compile the information necessary to produce financial statements in conformity with generally accepted accounting principles. Since the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements.

The City's financial statements have been audited by an independent firm of Certified Public Accountants, Badawi & Associates, licensed to practice in the State of California. The auditors expressed an opinion that the City's financial statements for the year ended June 30, 2019 are fairly stated in conformity with accounting principles generally accepted in the United States. This is the most favorable conclusion and is most commonly known as an "unqualified" or "clean" opinion. The auditor's report is in the Financial Section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion & Analysis (MD&A). The MD&A is designed to complement this letter of transmittal and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

REPORTING ENTITY

The City of East Palo Alto was incorporated in 1983 and is located in San Mateo County in the Greater San Francisco Bay Area. It is in a desirable setting, with enviable weather, and well situated among three major metropolitan cities: San Jose, Oakland, and San Francisco. The City borders Menlo Park to the north, Palo Alto to the west and south, and the San Francisco Bay to the east. East Palo Alto currently occupies 2.5 square miles and has a population of approximately 30,499¹.

East Palo Alto operates under a Council-Manager form of government. Policy-making and legislative authority are vested in the governing body (City Council) consisting of the Mayor, the Vice-mayor and three other members. The City Council appoints the government's Chief Executive Officer (known as City Manager), who in turn appoints the Directors of the various City departments; except for the City Attorney who is also appointed by the City Council. City Council members are elected by voters to serve overlapping four-year terms. The Mayor and Vice-Mayor are appointed by majority vote of the City Council on an annual basis to serve a one-year term. There are currently four Advisory Boards and Commissions that are appointed by the City Council: Rent Stabilization Board, Planning Commission, Public Works and Transportation Commission, and Senior Advisory Board.

The City Council is required to adopt a budget on an annual basis which is passed by June 30th of each year. In compliance with the City's municipal ordinance, the Council adopted the Fiscal Year 2018-19 budget through a public hearing process conducted during June 2018. The budget serves as the foundation for the City of East Palo Alto's financial planning and control. The budget is prepared by fund and division. Transfers between departments require City Manager, or designee, approval. Unless mandated by regulation, transfers between funds require approval from the City Council.

The City of East Palo Alto provides a range of basic municipal services. These services include public safety police services, public works and maintenance, limited parks and recreation activities, building, planning and zoning, housing and rent stabilization services, community development, lighting, drainage, refuse collection, infrastructure construction, and general administrative services.

¹ Source: MuniServices LLC from data provided by California Department of Finance, June 2019

The City also has an extensive base of community volunteers, religious organizations, philanthropists, and social activists. These organizations provide a broad network of services and enrichment activities for our citizens.

The CAFR includes all funds of the City, as well as all governmental organizations and activities for which the City Council has financial and/or fiduciary accountability. The Council serves in separate session as the governing body of the East Palo Alto Public Financing Authority; and, the Successor Agency to the former Redevelopment Agency of the City of East Palo Alto, for which it has fiduciary responsibility.

ECONOMIC CONDITION AND FISCAL OUTLOOK

During fiscal year 2018-19, the City experienced revenue growth of 6.6% compared to 9.7% growth in the prior year. The primary sources of increased revenues were property taxes and investment earnings, dampened by a net decline in all other revenues of 1.5%. The drivers of near-term growth will shift significantly as general tax resources flatten or decline offset by increases in development-related fees and charges, capital grant contributions, and a new voter-approved parcel tax.

Assessed property values in fiscal year 2018-19 total \$3.3 billion. The year over year increase is 11.6% compared to a 19.7% increase in the prior year. Of the 11.6% increase, approximately half is due to a reassessment of property values for University Avenue office development and the Four Seasons Hotel rather than new property transactions. Assessed valuation growth for fiscal years 2019-20 (6.0%) and 2020-21 (4%) is moderating due to slowing residential property sales and the lack of significant commercial development. Long-term growth potential remains positive due to unprecedented development planning activity, consolidation of industrial properties in the Ravenswood Business District, and incentives to intensify housing densities. While assessed valuation is a good indication of property tax revenue growth trends, realized property tax revenues are based on a complex set of funding formulas. Recently, the County of San Mateo Controller's Office announced a sustained shortfall in property tax in-lieu of vehicle license fees (VLF) funding. As such, while assessed valuations continue to trend upward, the City's actual realized revenue will diverge negatively from such trends in fiscal year 2019-20.

During fiscal year 2018-19, sales tax revenues decreased approximately 2%. Current sales data indicate growth trends will remain below-inflationary levels in the near-term. Sales tax revenues generally are vulnerable due to the rapid growth of online sales transactions, and changing consumption and shopping habits. East Palo Alto is particularly vulnerable to industry concentration risk in consumer goods retail sales due to the low number of commercial retail properties.

Transient occupancy and utility users' tax declined year over year. The average trend decline was approximately 3% and currently appears stabilized. Business license taxes are stable with below-average projected growth in the near-term. Contribution revenues from development-related permits and plan review fees are highly variable and currently estimated to remain elevated due to

several large projects in the planning process. The City also receives significant contribution revenues for capital grants, settlements, community benefits, and other purposes which also vary year over year based upon underlying, related activity.

Despite prolonged and vastly improved economic conditions, non-recessionary revenue trend factors are occurring at a more amplified and rapid pace than expected – particularly in general property tax revenues. Managing these changes will require thoughtful, strategic effort. At the same time, the City achieved several progressive milestones such as a voter-approved parcel tax on commercial office property, commonly referred as “Measure HH”. The tax revenue generated by Measure HH is restricted to affordable and supportive housing programs and programs that facilitate access to job opportunities. The City also was awarded an unprecedented \$42.7 million in major capital grant funding related to mitigating risk of floods and sea level-rise; implementing affordable housing and transportation infrastructure; and, improving major arterial streets – all of which directly improve the quality of life for our citizens.

The most recent fiscal outlook prepared by the State Legislative Analyst’s Office reports that the economic prospect forecast consensus is for comparatively subdued economic growth with greater risk of economic downturn. As the United States economy continues to experience a long, moderate economic expansion; commonly cited economic headwinds– such as government debt levels, geopolitical turmoil, slow global growth, and central bank monetary policy - remain indicative of uncertainty surrounding the continuation of the current expansionary economic cycle.

LONG TERM FINANCIAL PLANNING

As part of the strategic budget planning process, management presents a multi-year financial projection to the City Council. The projection provides the City Council with the opportunity to plan for the management of financial resources and to address forecasted financial challenges. Maintaining a sustainable budget and prudent fiscal planning is a strategic priority of the Council supported by citizen survey. The most recent projections indicated the need to strategically address near-term, non-recessionary general operating deficits. Recent property tax funding shortfalls negatively impact both the timing and level of operating deficits to be resolved, while striving to improve legacy issues such as deferred infrastructure maintenance. Traditionally, the City Council and the citizens of East Palo Alto have demonstrated the will to address such challenges. A June 2017 report to City Council identified four areas of infrastructure with significant regulatory mandates and deferred investment risks, as follows: (1) water infrastructure and regulation; (2) storm-water infrastructure and regulation; (3) basic public facilities; and, (4) storm drainage infrastructure. In recent years, the City committed surplus funding that mitigated several deferred infrastructure maintenance risks; however, as the pace of general tax revenue growth declines, current funding levels from general resources will not be sustainable.

FINANCIAL POLICIES AND INFORMATION

Budgetary Controls

The City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the Annual Budget and approved by the City Council. The level of control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control.

Financial Policies

The City has several financial policies related to revenue and expenditure administration, minimum fund balance requirements, grants and debt management, cash and investments, and other financial policies.

City policy also requires management to exercise financial “best practices,” including achieving a minimum General Fund contingency reserve of 15% of operating expenditures. The purpose of the reserve is to provide the City with fiscal capacity for responding to emergencies and economic uncertainties and vulnerabilities, thereby minimizing the impact on service levels to the community during such challenging times. The City is currently completing a comprehensive statistical risk study to determine the appropriate amount and types of general reserves to mitigate identified risks, including a general reserves policy to direct the purpose and use of such reserves.

Major Initiatives

Major initiatives for the year were developed through the budget planning process and with the guidance of the City Council as articulated through its Strategic Priorities process, as follows:

Enhance Public Safety and Emergency Preparedness: includes goals for implementing long-term crime and violence reduction programs and conducting public education and outreach on emergency preparation.

Enhance Economic Vitality: includes goals for aiding small businesses, setting aside capital improvement monies, and developing appropriate development impact fees.

Increase Organizational Effectiveness and Efficiency includes goals for long-term financial planning, preparing a staff development training plan, and acquiring systems to improve efficiencies and effectiveness.

Improve Public Facilities and Infrastructure: These goals pertain to completion of street, sidewalk, and bicycle-related infrastructure, exploring options for City facilities, enhancing the water distribution system, enhancing flood protection, and conducting a comprehensive transportation and mobility plan.

Improve Communication and Enhance Community Engagement: includes goals for improving resident and business communications through various mediums; including, implementing a

website management plan, developing a communications plan, and fostering community cultural events and activities.

Create a Healthy and Safe Community: includes goals to improve pedestrian and bicycle access safety, fully implement the Rent Stabilization program, develop a comprehensive Healthy Community Plan, preserve and expand affordable housing in East Palo Alto, and improving educational resources and services.

The City made notable progress in all strategic areas, particularly in the following areas:

- Awarded \$17.3 million grant from California Office of Emergency Services for Safer Bay Project to protect homes from risk of flooding and sea level rise
- Awarded \$20 million collaborative grant from Strategic Growth Council for affordable housing, transit and infrastructure improvements
- Awarded \$4.4 million grant from Economic Development Agency for Bay Road Improvements
- Approved Comprehensive Development Impact Fees
- Operated Safe Parking Pilot Program to reduce RV Homelessness
- Initiated or collaborated on affordable housing projects, including:
 - Light Tree Apartments
 - 965 Weeks Street
 - Peninsula Park Apartments
- Approved major development projects, including:
 - East Palo Alto Youth Arts & Music Center
 - The Primary School
 - University Plaza Office Project
- Completed several critical infrastructure projects, including:
 - Storm Drain Trash Capture
 - Gloria Way Well Rehabilitation
 - Highway 101/Pedestrian Overcrossing
 - Cooley Landing Park Phases IV and V

AWARDS AND ACKNOWLEDGEMENTS

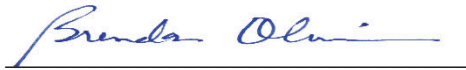
The Government Finance Officers Association of the United States and Canada (GFOA) awarded the *Certificate of Achievement for Excellence in Financial Reporting* to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018. This was the tenth year the City applied for and received this prestigious award. To qualify for the Certificate of Achievement, the governmental entity must publish an easily readable and efficiently organized CAFR, in conformance with program standards. Such report must satisfy generally accepted accounting principles as well as all applicable legal requirements.

The Certificate of Achievement is valid for one year only. The City believes this CAFR conforms to the GFOA Certificate of Achievement Program and will submit the report to the GFOA for consideration of the annual award.

The preparation of the Comprehensive Annual Financial Report was made possible by the dedicated staff of the Finance Department. Deepest appreciation is extended to those staff - each of whom demonstrated exemplary personal dedication and professionalism during this process.

The Finance Department wishes to express our sincere appreciation to the Mayor, Vice Mayor, and City Council for providing policy direction and support for the pursuit of excellence in attaining the City's goals.

Respectfully submitted,

A handwritten signature in blue ink that reads "Brenda Olwin". The signature is written in a cursive style and is positioned above a horizontal line.

Brenda Olwin
Finance Director



CITY OF EAST PALO ALTO

DIRECTORY OF OFFICIALS

City Council

Regina Wallace-Jones	Mayor
Carlos Romero	Vice Mayor
Ruben Abrica	Council Member
Larry Moody	Council Member
Lisa Gauthier	Council Member

Administration

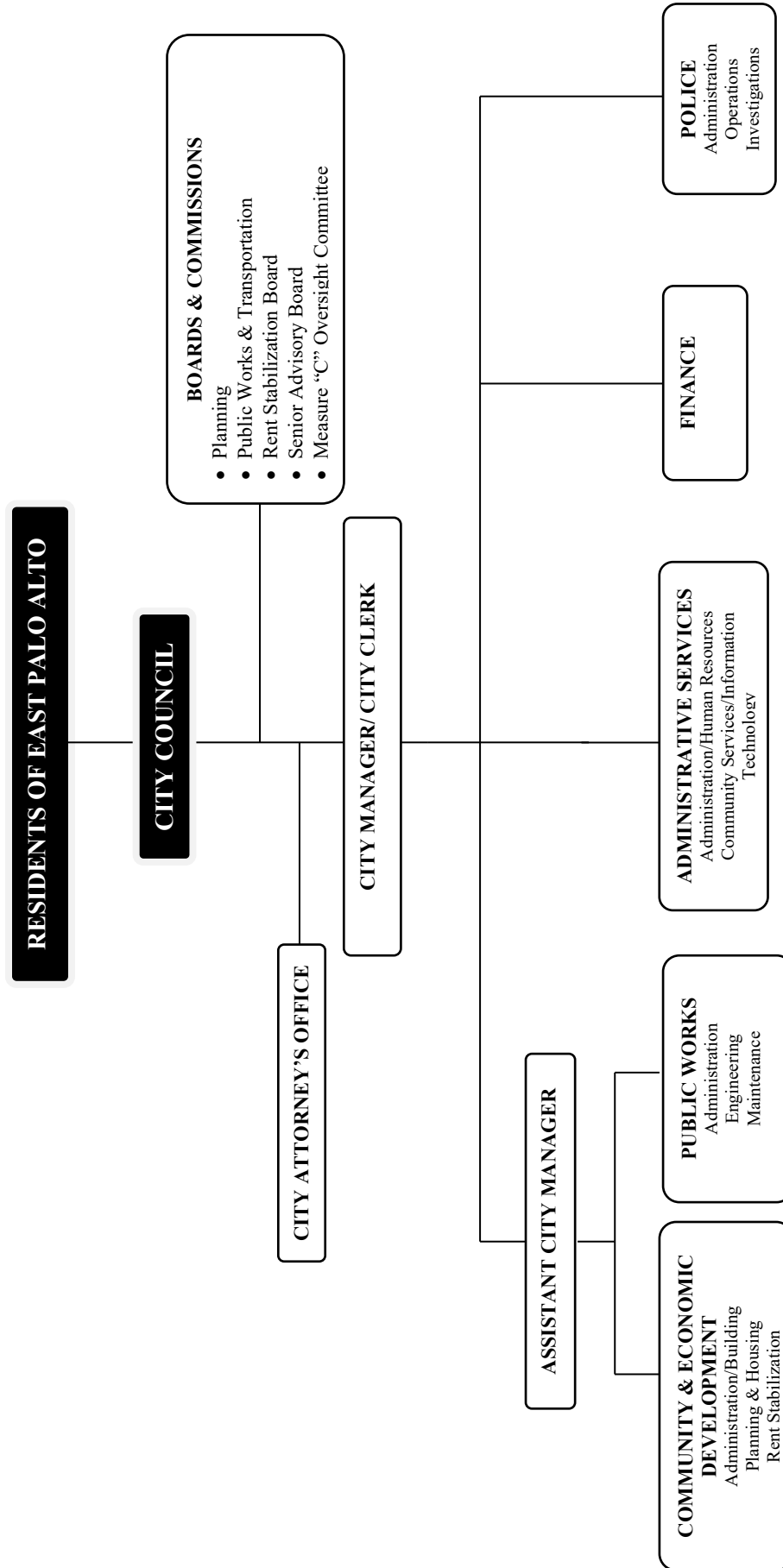
Jaime M. Fontes	City Manager
Patrick Heisinger	Interim Assistant City Manager
Rafael E. Alvarado Jr.	City Attorney
Marie McKenzie	Administrative Services Director
Brenda Olwin	Finance Director
Albert Pardini	Police Chief
Kamal Fallaha	Public Works Director

Regional Map



CITY OF EAST PALO ALTO
CITY ORGANIZATIONAL CHART

FY 2018-2019 Budget





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of East Palo Alto
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morvill

Executive Director/CEO

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Members of the City Council
of the City of East Palo Alto
East Palo Alto, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Palo Alto, California (City) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension plan information on pages 5-18 and 87-92 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

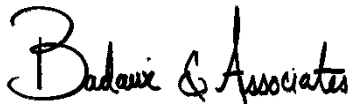
The combining and individual nonmajor fund financial statements and budgetary comparison schedules on pages 96-118 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

To the Honorable Mayor and Members of the City Council
of the City of East Palo Alto
East Palo Alto, California
Page 3

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Badawi & Associates".

Badawi and Associates
Certified Public Accountants
Berkeley, California
December 30, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City's Comprehensive Annual Financial Report presents a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2019. We advise readers to consider the information presented here in conjunction with the accompanying transmittal letter and basic financial statements.

FISCAL YEAR 2018-19 FINANCIAL HIGHLIGHTS

- The City's total net position equals \$153.9 million, an increase of \$15.6 million over the prior year net position of \$138.3 million. The increase is comprised of \$14.6 million in governmental activities and \$1.0 in business-type activities.
- Total revenues, excluding transfers, equal \$45.9 million compared to \$44.9 million in the prior year; an increase of \$1.0 million. The net increase is comprised of improved property taxes (\$1.8M) and investment earnings (\$1.3M) offset by decreased capital grant and contributions revenue (\$2.1M). Total expenses, excluding transfers, equal \$30.3 million compared to prior year expenses of \$27.7 million; an increase of \$2.7 million primarily due to increased outside services activity and personnel expenses.
- Total program revenues equal \$15.3 million compared to \$17.0 million in the prior year; a decrease of \$1.7 million. Governmental activities program revenues of \$11.4 million were unchanged. Business-type activities program revenues decreased by \$1.7 million due to decreased capital grant and contributions revenue of \$1.9 million offset by increased charges for services of \$0.2 million.
- Total general revenues, excluding transfers, equal \$30.7 million compared to prior year revenues of \$27.9 million; an increase of \$2.8 million. Governmental general revenues increased \$2.6 million due to property taxes (\$1.8M) and investment earnings (\$1.2M) offset by a \$0.3 million net decline in all other general revenues. Business-type general revenues increased approximately \$155,000 due to increased investment earnings.
- General Fund total fund balance equals \$39.2 million, an increase of \$1.4 million over the prior year fund balance of \$37.8 million. The net change is comprised of \$31.4 million revenues offset by \$21.4 million expenditures and \$8.6 million other financing uses. Other financing uses is primarily comprised of major capital (\$8.1M) and other operating transfers (\$0.5M).

OVERVIEW OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

Government-wide Financial Statements

The government-wide financial statements are designed to provide the readers with a broad view of the City's finances on a similar reporting basis as a private-sector business.

Statement of Net Position: Presents information on all the City's assets and liabilities, with the difference between the two reported as net position (deficit). Over time, the change in net position (deficit) may serve as a useful indicator of whether the financial position of the City is improving or declining.

Statement of Activities: Presents information reflecting how the City's net position changed during the most recent fiscal year. All changes in net position are reported in the period the event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flow in future fiscal periods (e.g. revenues pertaining to uncollected taxes and expenses pertaining to earned unused vacation leave). Non-financial factors, such as changes in the City's property tax base and the condition of the City's infrastructure must be considered in order to properly assess the overall financial health of the City.

In the Statement of Net Position and the Statement of Activities, activities are divided into two types:

- Governmental activities - Most of the City's basic services are reported here, including police, public works, community development, and general administration. Taxes, user fees, and state and federal grants finance most of these activities.
- Business-type activities - The City charges a fee to cover all or most of the cost of certain services it provides. The City's water system and residential garbage collection services are reported here.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other State and local governments, uses fund accounting to ensure and demonstrate financial compliance with legal requirements. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.

The fund financial statements provide detailed information about the most significant funds, called major funds. Some funds are required to be established by State law and by bond covenants. However, the City establishes many other funds to help control and manage funds for particular purposes (such as the Capital Improvements Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies (such as grants received from the Federal government). The City reports the following major funds: General Fund, Public Improvements in Lieu Fund, Housing in Lieu Fund, and Capital Improvements Fund. The remaining non-major funds of the City are summarized and presented in a single column. The

City's different types of funds - governmental, proprietary, and fiduciary - use different accounting approaches.

- *Governmental funds* - Most of the City's basic services are reported in the governmental funds, where the focus is on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near-term to finance the City's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in detail in a reconciliation located after each of the fund financial statements.
- *Proprietary funds* - When the City charges customers for the services it provides - whether to outside customers or to other units of the City - the services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as a statement of cash flows.
- *Fiduciary funds* - the City maintains a Private Purpose Trust Fund to account for the activity of the former Redevelopment Agency of the City of East Palo Alto. The City's fiduciary activities such as the Successor Agency are reported in a separate Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. The accounting basis used for fiduciary funds is comparable to the proprietary funds. These activities are excluded from the City's other financial statements because the City cannot use the assets to finance its own operations.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City provides comparative information in its Management Discussion & Analysis by presenting two years of financial information in the GASB Statement No. 34 format and a comparative analysis of government-wide data. Net position serves as a useful indicator of a government's financial position.

Analysis of Net Position

Government-wide assets and deferred outflows exceed liabilities and deferred inflows by \$153.9 million at June 30, 2019. However, a significant portion of these assets are not liquid, and are not

available to pay current and future liabilities of the City. The following table is a summary of the government-wide net position for the governmental and business-type activities:

STATEMENT OF NET POSITION
(Dollars in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018 ¹	2019	2018
Assets:						
Current and other assets	97,308	88,220	7,351	6,145	104,659	94,365
Capital Assets	55,198	48,800	11,665	11,862	66,863	60,662
Total assets	152,506	137,020	19,016	18,007	171,522	155,027
Deferred outflows of resources						
Deferred pension outflows	4,218	5,391	-	-	4,218	5,391
Total deferred outflows	4,218	5,391	-	-	4,218	5,391
Liabilities:						
Current and other liabilities	4,579	5,052	692	712	5,271	5,764
Noncurrent liabilities	12,726	12,476	3,481	3,501	16,207	15,977
Total liabilities	17,305	17,528	4,173	4,213	21,478	21,741
Deferred inflows of resources						
Deferred inflows - pension	354	420	-	-	354	420
Total deferred inflows	354	420	-	-	354	420
Net Position:						
Net Investment in capital assets	55,198	48,784	10,965	11,162	66,163	59,946
Restricted	43,827	34,904	-	-	43,827	34,904
Unrestricted	40,040	40,774	3,878	2,632	43,918	43,406
Total Net Position	139,065	124,462	14,843	13,794	153,908	138,256

¹Amounts presented in Net Position have been reclassified.

Net Position - Governmental Activities

Total governmental activities assets of \$152.5 million consist of current and other assets of \$97.3 million and capital assets of \$55.2 million. Total governmental activities assets increased \$15.5 million due primarily to increased current and other assets (\$9.1M) and capital assets (\$6.4M).

Deferred outflows of \$4.2 million consists of \$1.8 million deferred employer pension contributions paid after the pension liability measurement date, \$1.4 million of plan-related assumption changes and projected to actual differences, and \$1.0 million of City-specific factors such as change in proportional share of multi-employer plan and differences between the actual and proportional share of contributions.

Total liabilities of \$17.3 million consist of \$4.6 million current liabilities and \$12.7 non-current liabilities. Of the non-current liabilities, the most significant portion (\$10.6M) relates to net pension liability. Total governmental activities liabilities decreased \$0.2 million primarily due to decrease in net pension liability.

Deferred inflows of \$0.4 million also relate to GASB #68 due to certain differences between actuarial estimates versus results, as well as, changes in proportion in the City's multi-employer cost-sharing plans.

Of the \$139.1 million governmental activities net position, \$55.2 million (40%) represents capital assets net of related debt. The City uses capital assets, such as roadways, storm drains, lighting, parks, and other infrastructure to provide services to residents; therefore, the assets do not provide cash liquidity to pay liabilities. Historically, the City has not issued a significant amount of debt to finance capital assets primarily due to a former focus on redevelopment, grant-funded, and a lack of significant capital assets available for leveraged leaseback activity.

Total restricted net position equals \$43.8 million (32%). Such amounts relate to resources subject to external restrictions on how they may be spent by the City. The restricted balance relates to local and county special taxes, tax districts, capital and grant agreements, housing funds, and other restricted uses. Total unrestricted net position equals \$40 million (27%); however, a significant portion of the unrestricted balances are not liquid or are internally committed for capital projects. Unrestricted net position decreased \$0.7 million from the prior year.

Net Position - Business-type Activity

The City's business-type activities assets of \$19.0 million consist of current and other assets of \$7.3 million and capital assets of \$11.7 million. Of the \$7.3 million in current and other assets, approximately \$1.7 million relates to garbage collection, and \$5.6 million relates to water services, a significant portion of which is committed for capital infrastructure replacement. All capital assets are comprised of water-services infrastructure.

Total liabilities of \$4.2 million are primarily unchanged from the prior year. Such amounts consist of garbage collection accounts payable and amounts advanced from developers in connection with certain water service implementation agreements.

Net position of \$14.8 million includes \$11.0 million of capital assets net of related debt and \$3.8 million in unrestricted net position. Unrestricted net position increased \$1.2 million over the prior year due to water services (\$1.1M) and garbage collection (\$0.1M) activities.

Analysis of Statement of Activities

The statement of activities shows the change in government-wide net position during the fiscal year. The following table indicates the changes in net position for governmental and business-type activities compared to the previous year. The City's government-wide net position increased \$15.6 million as further described on the following pages.

STATEMENT OF ACTIVITIES

(Dollars in thousands)

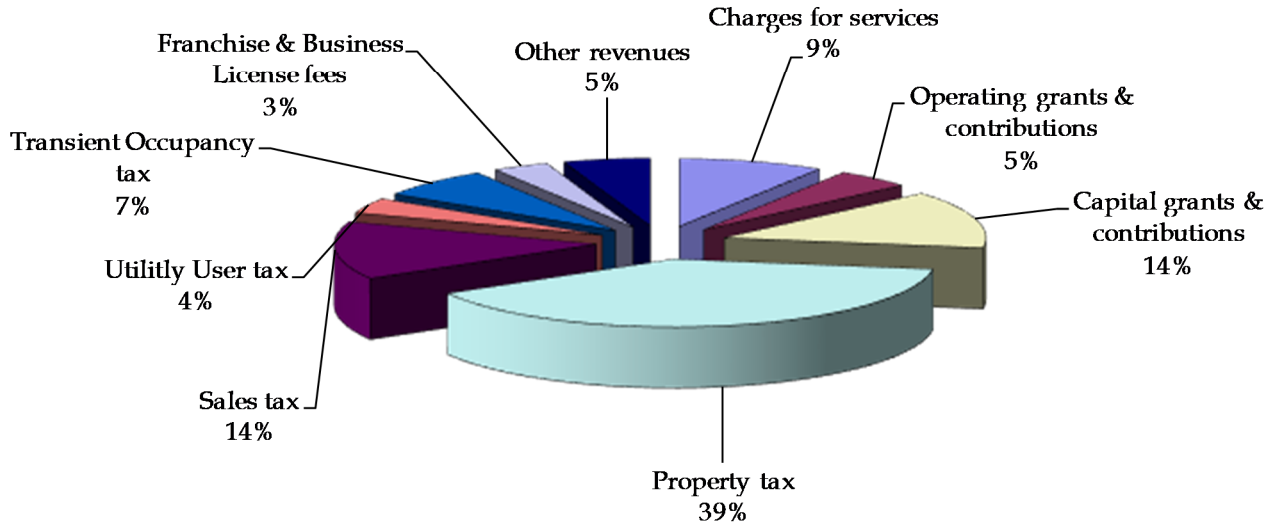
	Governmental Activities		Business-Type Activities		Total	
	2019	2018 ¹	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	\$ 3,756	\$ 3,825	\$ 3,821	\$ 3,583	\$ 7,577	\$ 7,408
Operating grants & contribution	1,948	1,741	-	-	1,948	1,741
Capital grants & contributions	5,771	5,930	-	1,963	5,771	7,893
General revenues:						
Property taxes	16,411	14,642	-	-	16,411	14,642
Sales taxes	5,794	5,923	-	-	5,794	5,923
Utility user tax	1,538	1,680	-	-	1,538	1,680
Transient Occupancy taxes	2,990	3,090	-	-	2,990	3,090
Business taxes	1,453	1,515	-	-	1,453	1,515
Other taxes	87	63	-	-	87	63
Investment Earnings	2,029	850	234	79	2,263	929
Miscellaneous	129	49	-	-	129	49
Total revenues	41,906	39,308	4,055	5,625	45,961	44,933
Expenses						
Program expenses:						
General government	4,811	4,551	-	-	4,811	4,551
Public safety	11,860	10,695	-	-	11,860	10,695
Public works	5,104	4,925	-	-	5,104	4,925
Culture and recreation	1,806	1,712	-	-	1,806	1,712
Community development	3,721	3,129	-	-	3,721	3,129
Water services	-	-	423	320	423	320
Garbage collection	-	-	2,583	2,321	2,583	2,321
Interest on long-term debt	1	1	-	-	1	1
Total expenses	27,303	25,013	3,006	2,641	30,309	27,654
Excess before transfers or special items	14,603	14,295	1,049	2,984	15,652	17,279
Transfers	-	(238)	-	238	-	-
Change in Net Position	14,603	14,057	1,049	3,222	15,652	17,279
Net Position - Beginning	124,462	110,405	13,794	10,572	138,256	120,977
Net Position - Ending	\$ 139,065	\$ 124,462	\$ 14,843	\$ 13,794	\$ 153,908	\$ 138,256

¹Franchise fees were reclassified to charges for services.

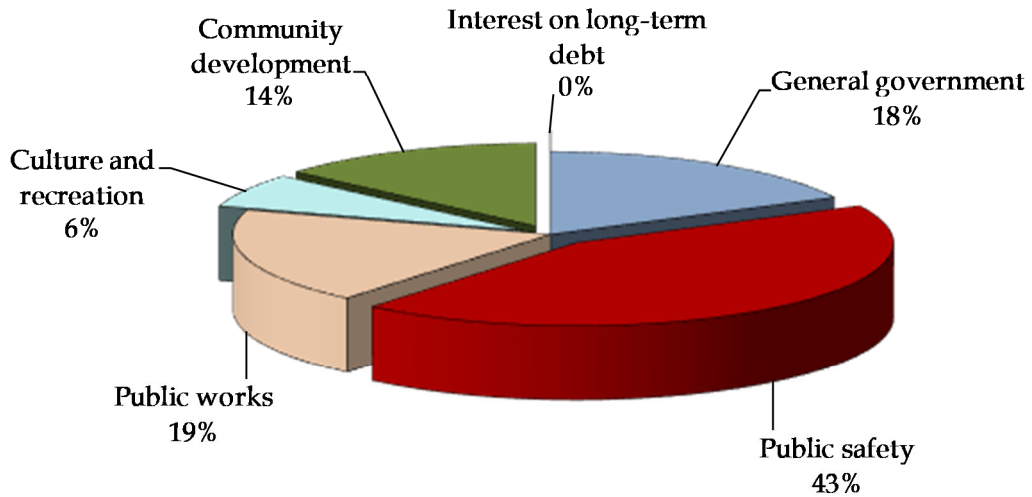
Statement of Activities - Governmental

Governmental activities net position increased by \$14.6 million compared to previous fiscal year of increase of \$14.1 million. A further depiction of sources and types of governmental activities revenues and expenses are illustrated in the following charts:

Governmental Activities Revenues by Source



Governmental Activities Expenses by Type



Statement of Activities - Governmental, continued

- Total revenues before transfers equal \$41.9 million; an increase of \$2.6 million (6.6%) over the prior year revenues of \$39.3 million. The increase in revenues is primarily concentrated in year over year increases in property taxes (\$1.8M) and investment earnings (\$1.2M) offset by net decreases in most other revenue categories (\$0.4M). Increases in property taxes are due to current improved property valuations, and to payments for increased reassessments of University Plaza office building and the Four Seasons Hotel. The notable improvement in investment earnings is due to limited portfolio duration, improved short-term yield investment opportunities, and higher cash and investment balances.
- Total expenses equal \$27.3 million, an increase of \$2.3 million (9.2%) over the prior year. Generally, expenses are increasing across most spending categories and certain categories, such as professional services fluctuate based on changes in activity. The current year over year increase is primarily the result of increased personnel costs, services, and reported pension expense. The City experienced generally increased service costs related to addressing homelessness and housing issues.

Statement of Activities - Business-type

- Business-type net position increased by \$1.0 million. The increase is primarily comprised of garbage collection (\$0.1M) and water services (\$0.9M).
- Total revenues before transfers equal \$4.0 million, a decrease of \$1.6 million from prior year revenues of \$5.6 million. Charges for services increased slightly (\$0.2M) due to previously approved residential garbage collection rate increases; capital grants and contributions decreased \$1.8 million due to completion of grant funding for Gloria Well (\$2.0M) offset by increase in interest income (\$0.2M).
- Total expenses before transfers equal \$3.0 million, an increase of approximately \$0.4M over prior year expenses of \$2.6 million. Residential garbage collection charges (\$0.3M) and water service outside services (\$0.1M) primarily account for the increase in expenses.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, and Capital Project Funds.

Governmental fund balances total \$90.9 million, an increase of \$11.4 million over the prior year combined fund balances of \$79.5 million. The most significant components of increase include the Capital Improvements Fund (\$8.0M), General Fund (\$1.4M), and Gas Tax Fund (\$0.9M). Notably, Capital Improvements Fund increase is comprised of approximately \$8.1M in capital transfers from the General Fund.

Governmental revenues (before transfers in) total \$44.1 million compared to \$38.3 million in the prior year; an increase of \$5.8 million or 15.2%. The increase is comprised of increased property taxes (\$2.2M), grants and intergovernmental (\$2.3M), and uses of money and property (\$1.2M). Of the remaining net increase (\$0.1M), minor increases occurred in sales taxes, other taxes, charges for services and miscellaneous offset by minor decreases in transit occupancy tax, utility users' tax, license, fees, and permits revenues, and fines and forfeitures.

Governmental expenditures (before transfers out) total \$32.7 million compared to \$30.7 million in the prior year; an increase of \$2.0 million or 6.6%. The increase is primarily comprised of increased expenditures in general government (\$0.4M), public safety (\$1.1M), and community development (\$0.6M) offset by a decrease in public works (\$0.1M). The increases primarily are due to underlying personnel cost increases (\$1.0M) and services and supplies increases related to public safety outside services and addressing homelessness and housing programs.

The General Fund is used to account for all revenues and expenditures necessary to carry out basic government activity of the City that is not accounted for through other funds.

Revenues before transfers total \$31.4 million compared to \$29.1 million in the prior year; an increase of \$2.3 million (8.1%). The increase is primarily comprised of increased property taxes (\$2.0M), use of money and property (\$0.4M) and miscellaneous (\$0.3M) offset by decreased fines and forfeitures (\$0.03M) and other net decreases (\$0.1M). Increases in property taxes are due to current improved property valuations, and to payments for increased re-assessments of University Plaza office building and the Four Seasons Hotel and increased excess ERAF payments (Educational Refund Augmentation Fund). The notable improvement in investment earnings is due to limited portfolio duration, improved short-term yield investment opportunities, and higher cash and investment balances.

Expenditures before transfers total \$21.4 million compared to \$19.7 million in the prior year; an increase of \$1.7 million (8.7%). The increase is primarily comprised of personnel costs (\$0.9M), and services and supplies (\$1.3M) offset by a decrease in capital outlay (\$0.5M). Personnel costs increased due to contractual wage increases, increase in police overtime, and increased CalPERS pension payments. Services and supplies increased due to increased animal control, community and economic development activity, various studies, and implementation of hazardous clean up and homelessness safe parking programs. Capital outlay is primarily comprised of technology and vehicle costs and decreased primarily due to prior year purchase of a vacuum truck.

Net Other Financing Uses total \$8.6 million is comprised of capital transfers out to the Capital Improvement fund (\$8.1M), and operating transfers out to Low and Moderate Housing Successor Fund (\$0.2M), NPDES and Drainage District Funds (\$0.3M). The transfers to the Capital

Improvement Fund were approved to provide committed local Federal grant match funding SAFER Bay flood project \$(5.5M), Bay Road (\$1.1M), RV Safe Parking (\$0.2M), Facilities studies (\$0.4M), and various other capital approved during the year.

Fund Balance totals \$39.2 million compared to \$37.8 million in the prior year; an increase of \$1.4 million. Of the total fund balance, \$10.9 million is non-spendable and relates to Successor Agency loans and advances to other funds, and \$1.9 million is assigned for encumbrances. Of the \$26.4 million remaining balance, the following amounts are set-aside but not assigned: Minimum Fund Reserve (\$3.8M), Technology, Equipment & Vehicles, and Self-Insurance (\$5.1M); Community Benefits (\$0.2M); leaving a remaining balance of \$17.3 million.

Public Improvement in Lieu Special Revenue Fund accounts for revenues and expenditures for public improvement assets including settlement and other fees collected from developers. Total Fund Balance decreased by approximately \$46,690 from the prior year to \$311,891 as a result of revenues offset by expenditures of approximately \$104,850 incurred related to storm drain and Bay Road Phase II capital projects.

Housing in Lieu Special Revenue Fund accounts for revenues and expenditures related to affordable housing including in lieu fees collected from developers and 10% of transient occupancy taxes (TOT) collected as approved by voters. Total Fund Balance increased \$0.5 million to \$9.6 million due to net TOT activity and investment earnings.

The Capital Improvements Capital Projects Fund accounts for capital project improvement revenues and expenditures financed by various sources including Federal, State and local grants, restricted settlement monies, and transfers from the General Fund.

Revenues before transfers total \$6.5 million compared to \$4.5 million in the prior year; an increase of \$2.0 million (43.4%). The increase is primarily comprised of increased grants and intergovernmental revenues (\$1.6M) and use of money and property (\$0.4M).

Expenditures before transfers total \$6.6 million compared to \$7.5 million in the prior year; a decrease of \$0.9 million. The City is engaged in several capital projects in various design and construction phases. The most significant capital project comprising current year expenditures is the Highway 101 Pedestrian Overcrossing.

Other Financing Sources of \$8.1 million consist entirely of transfers from the General Fund, as described under the General Fund analysis above.

Proprietary Funds: The City's proprietary funds provide the accounting-basis information as presented in the government-wide financial statements, but in more detail.

Total Net Position for the Garbage and Water Service funds are \$1.1 million and \$13.8 million, respectively. The Garbage Fund net position balance is unrestricted. The Water Fund net position includes \$10.9 million net investment in capital assets and \$2.9 million an unrestricted net position. The net change in position of both funds equals \$1.0 million; primarily comprising an increase of \$0.9 million in the Water Service Fund and \$0.1 million in the Garbage Collection fund.

Discussion of these funds is presented above in the City's government-wide business-type activities section.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total adopted revenues (before transfers) of \$28.5 million increased \$1.8 million to final amended revenues of \$30.3 million. Major revenue amendments occurred across the categories of property (\$1.2M), sales taxes (\$0.3M), and use of money and property (\$0.3M). The remaining adjustments in other revenue sources generally indicate decreasing transient occupancy and utility user taxes offset by miscellaneous one-time community benefits and volatile development fee-related permits and charges for services.

Total adopted expenditures (before transfers) of \$26.9 million decreased \$1.8 million to final amended expenditures of \$25.1 million as Council approved multiple actions to utilize vacancy, housing program, and other property cost savings to fund transfers to the Capital Improvement Fund.

Following are the main components of the differences between final amended budget and actual results:

- Actual revenues total \$31.4 million, approximately \$1.1 million greater than the amended budget of \$30.3 million. Major budget to actual differences relates to property taxes (\$0.7M) and use of money and property (\$0.3M). Property tax differences primarily relate to increased excess ERAF distributions, better than expected supplemental tax and unplanned payments for reassessment of former Redevelopment Agency properties resulting in better than expected distributions from the Redevelopment Property Tax Trust Fund (RPTTF). Use of money and property differences primarily related to unrealized fair market value gain (\$0.2M).
- Actual expenditures total \$21.4 million, approximately \$3.7 million less than the amended budget of \$25.1 million. Of this amount, approximately \$1.4 million is due to staff vacancies and health benefit savings; \$1.6 million is due to unexpended services and supplies primarily concentrated in Community Development, Public Works and General Government; \$0.2 million is due to unexpended grants, services, and supplies concentrated in Community Services; and, approximately \$0.5 million relates to planned but unexpended vehicle and technology purchases. The planned, but unexpended, service strategies are reflected in higher than average contractual encumbrances at year-end (\$1.9M) and are indicative of the low staffing to service expectations, as well as, the insidious organizational effects of staff turnover and vacancy in key staff positions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The capital assets for governmental and business-type activities balance as of June 30, 2019 total \$66.9 million (net of accumulated depreciation), a net increase of \$6.2 million (10.2%) over the prior year. The increase is attributable to \$6.4 million governmental activities offset by a decrease (depreciation) of business-type activities of \$0.2 million. Total capital assets include land, construction in progress, buildings and improvements, machinery and equipment, and infrastructure.

Capital assets, net of accumulated depreciation, for the governmental and business-type activities are as follows:

	June 30, 2019						
	(Dollars in thousands)						
	Governmental Activities		Business-Type Activities		Total		
	2019	2018	2019	2018	2019	2018	
Land	\$ 4,059	\$ 4,059	-	\$ 5,264	\$ 5,264	\$ 9,323	\$ 9,323
Buildings and Improvements	8,459	8,289	-	-	-	8,459	8,289
Improvements Other than Bldgs	9,421	9,558	-	10,865	7,058	20,286	16,616
Construction in Progress	17,024	11,395	-	40	3,842	17,064	15,237
Furnishings & Equipment	2,148	2,060	-	-	-	2,148	2,060
Vehicles	3,039	2,795	-	-	-	3,039	2,795
Street and Roadways	47,653	46,022	-	-	-	47,653	46,022
Storm Drain System	6,738	6,231	-	-	-	6,738	6,231
Less: Accumulated Depreciation	(43,344)	(41,609)	-	(4,504)	(4,302)	(47,848)	(45,911)
Total	\$ 55,197	\$ 48,800	-	\$ 11,665	\$ 11,862	\$ 66,862	\$ 60,662

Major capital assets events during the current fiscal year included the following:

Governmental Activities

Capital assets increased \$6.4 million, comprised of \$8.1 million new capital net of increased depreciation of \$1.7 million. New assets acquired, constructed or in progress include Highway 101 Pedestrian Overcrossing, Bay Road, University Avenue Overpass, Safe Routes to School, and replacement of police vehicles.

Business-Type Activities

Capital assets decreased \$0.2 million, net of depreciation due to depreciation and no significant new construction. Construction in progress decreased and improvements other than buildings increased \$3.8 million due to the completion of Gloria Way Well.

For government-wide financial statements presentation, all depreciable capital assets are depreciated from acquisition date to the end of the current fiscal year utilizing a half-year convention. Fund financial statements record capital assets purchases as expenditures.

The City's infrastructure assets are recorded at historical cost in the government-wide financial statements as required by GASB Statement No. 34.

Additional information about capital assets can be found in Note 5 to the financial statements.

Debt Administration

Historically, the City has engaged in very limited debt-financing activity due to reliance on outside grant and former redevelopment funding for major infrastructure improvements. This is due to several factors, including that the City owns minimal property assets that are easily debt-leveraged, and has not engaged in ad valorem or assessment district funding or other parcel tax-related funding since Redevelopment dissolution.

Business-type debt consists of a \$0.7M note payable related to funding for the completed Gloria Way Well project. Additionally, with the dissolution of the former RDA, the Successor Agency fiduciary fund assumed the long-term term debt of the former RDA. Total Successor Agency fiduciary debt balance outstanding at June 30, 2019 is \$17.3 million. Additional information about the Successor Agency debt can be found in Note 15 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

East Palo Alto continues to experience above-average growth trends in certain revenue categories. A significant amount of the growth in overall tax revenues relates to new local and State taxes, new development, and sales turnover of portfolio properties (Woodland Park). These changes reflect both the community decisively voting in resources to increase service capacity, but also are an indication of external changes that also are creating new and critical service urgency as the City grapples with social issues amplified by State trends in affordable housing, income inequality, and migration. The following economic factors were considered in the preparation of the City's budget for fiscal year 2019-20:

- Near-term general revenue growth trajectory is declining significantly as the known, major drivers – such as new taxes, taxable development, and significant property portfolio turnover – are not expected.
- New Measure HH parcel tax approved by voters in November 2018 will increase housing and job-related restricted program resources by approximately \$1.6M and alleviate general cost pressures related to displacement and the housing crisis.
- Overall, property taxes will increase based on approximately 11% increase in assessed valuation – a significant trend decline from 22% in the previous year.
- Sales tax and other major general tax revenues are stable but are projected below 2019 real Gross Domestic Product (GDP) growth. State Gas tax funding will stabilize due to SB1 funding.

- Development-related fees remain elevated and highly variable due to major pre-entitlement development activity, and implementation of comprehensive impact fees. These fees are also offset by increased professional service demands in Community Development.
- Year over year base wages will increase as the City addresses below-market wages and retention issues. Addressing such issues is expected to suppress the City's ability to make meaningful position increases to address service impacts of new development and major new infrastructure maintenance.
- New cost pressures are developing related to solid and hazardous waste issues, operational costs of new infrastructure and facilities, and inflationary increases in professional services, utilities, supplies, and fuel.
- After some years of below-average cost increases, existing and well-publicized cost pressures related to CalPERS pension funding continue to gain meaningful traction in fiscal year 2019-20.

These factors were considered in preparing the City's budget for Fiscal Year 2019-20.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to ensure transparency relative to city fiscal operations. If you have questions about this report or need additional financial information, contact the City's Finance Department, East Palo Alto Government Center, 2415 University Avenue, East Palo Alto, CA 94303.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of East Palo Alto
Statement of Net Position
June 30, 2019

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Current assets:			
Cash and investments	\$ 70,901,207	\$ 8,861,919	\$ 79,763,126
Restricted cash and investments with fiscal agents	1,073,837	585,637	1,659,474
Receivables:			
Accounts receivable	330,979	98,012	428,991
Interest receivable	663,261	51,388	714,649
Taxes receivable	1,558,971	-	1,558,971
Intergovernmental receivables	1,707,801	224,289	1,932,090
Deposits and prepayments	62,737	-	62,737
Internal balances	2,470,000	(2,470,000)	-
Total current assets	<u>78,768,793</u>	<u>7,351,245</u>	<u>86,120,038</u>
Noncurrent assets:			
Loans to Successor Agency	10,406,134	-	10,406,134
Loans and notes receivable	8,133,644	-	8,133,644
Capital assets:			
Non-depreciable	21,083,112	5,304,020	26,387,132
Depreciable, net	34,114,552	6,360,934	40,475,486
Total capital assets	<u>55,197,664</u>	<u>11,664,954</u>	<u>66,862,618</u>
Total noncurrent assets	<u>73,737,442</u>	<u>11,664,954</u>	<u>85,402,396</u>
Total assets	<u>152,506,235</u>	<u>19,016,199</u>	<u>171,522,434</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred employer pension contributions	1,812,899	-	1,812,899
Deferred outflows of resources - pension	2,405,350	-	2,405,350
Total deferred outflows of resources	<u>4,218,249</u>	<u>-</u>	<u>4,218,249</u>
LIABILITIES			
Current liabilities:			
Accounts payable	1,883,209	666,811	2,550,020
Accrued liabilities	1,187,307	1,385	1,188,692
Retention payable	199,019	-	199,019
Unearned revenue	1,073,837	-	1,073,837
Compensated absences - due within one year	196,346	-	196,346
Claims payable - due within one year	39,450	-	39,450
Note payable, due within one year	-	23,333	23,333
Total current liabilities	<u>4,579,168</u>	<u>691,529</u>	<u>5,270,697</u>
Noncurrent liabilities:			
Deposits payable	1,133,165	26,360	1,159,525
Advance from developers	100,891	2,778,229	2,879,120
Compensated absences - due in more than one year	625,734	-	625,734
Claims payable - due in more than one year	223,550	-	223,550
Note payable, due in more than one year	-	676,667	676,667
Net pension liability	10,642,902	-	10,642,902
Total noncurrent liabilities	<u>12,726,242</u>	<u>3,481,256</u>	<u>16,207,498</u>
Total liabilities	<u>17,305,410</u>	<u>4,172,785</u>	<u>21,478,195</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pension	354,029	-	354,029
Total deferred inflows of resources	<u>354,029</u>	<u>-</u>	<u>354,029</u>
NET POSITION			
Net investment in capital assets	<u>55,197,664</u>	<u>10,964,954</u>	<u>66,162,618</u>
Restricted for:			
Highway and Street Projects	9,885,470	-	9,885,470
Parks and Recreation	340,827	-	340,827
Measure C Program	592,734	-	592,734
Housing Programs	21,669,184	-	21,669,184
Special Programs	1,522,452	-	1,522,452
Capital Projects	9,816,132	-	9,816,132
Total restricted	<u>43,826,799</u>	<u>-</u>	<u>43,826,799</u>
Unrestricted	40,040,582	3,878,460	43,919,042
Total net position	<u>\$ 139,065,045</u>	<u>\$ 14,843,414</u>	<u>\$ 153,908,459</u>

See accompanying Notes to Basic Financial Statements.

City of East Palo
Statement of Activities
For the year ended June 30, 2019

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental activities:					
General government	\$ 4,811,440	\$ 1,101,963	\$ 306,754	\$ -	\$ 1,408,717
Public safety	11,860,715	430,611	158,881	100,000	689,492
Public works	5,103,756	521,338	1,276,070	4,735,341	6,532,749
Culture and recreation	1,805,560	4,762	51,604	935,225	991,591
Community Development	3,720,981	1,697,655	154,953	-	1,852,608
Interest on long-term debt	154	-	-	-	-
Total governmental activities	27,302,606	3,756,329	1,948,262	5,770,566	11,475,157
Business-type activities:					
Garbage Collections	2,583,092	2,636,619	-	-	2,636,619
Water Services	423,315	1,184,789	-	-	1,184,789
Total business-type activities	3,006,407	3,821,408	-	-	3,821,408
Total primary government	\$ 30,309,013	\$ 7,577,737	\$ 1,948,262	\$ 5,770,566	\$ 15,296,565
General Revenues:					
Taxes:					
Property taxes					
Sales taxes					
Utility users tax					
Transient occupancy taxes					
Other taxes					
Business license					
Total taxes					
Investment earnings					
Miscellaneous					
Total general revenues					
Change in net position					
Net position - beginning of year					
Net position - end of year					

See accompanying Notes to Basic Financial Statements.

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (3,402,723)	\$ -	\$ (3,402,723)
(11,171,223)	-	(11,171,223)
1,428,993	-	1,428,993
(813,969)	-	(813,969)
(1,868,373)	-	(1,868,373)
(154)	-	(154)
(15,827,449)	-	(15,827,449)
-	53,527	53,527
-	761,474	761,474
-	815,001	815,001
(15,827,449)	815,001	(15,012,448)
16,411,143	-	16,411,143
5,793,668	-	5,793,668
1,537,991	-	1,537,991
2,990,217	-	2,990,217
86,410	-	86,410
1,452,963	-	1,452,963
28,272,392	-	28,272,392
2,029,009	234,047	2,263,056
128,440	-	128,440
30,429,841	234,047	30,663,888
14,602,392	1,049,048	15,651,440
124,462,653	13,794,366	138,257,019
\$ 139,065,045	\$ 14,843,414	\$ 153,908,459

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

General Fund is the primary operating fund of the City and accounts for the revenues and expenditures to carry out basic governmental activities of the City such as general government, public safety, highway and street, culture and recreation, and community development. This fund accounts for all financial transactions not accounted for in the other funds.

Public Improvements in Lieu Special Revenue Fund accounts for development fee and contractual revenues, and capital expenditures for related public improvement assets.

Housing in Lieu Special Revenue Fund accounts for developer fees and deposits in lieu of providing affordable housing and 10% set-aside of transient occupancy taxes collected as approved by voters, and the expenditures related to allowable affordable housing activities.

Capital Improvements Capital Projects Fund accounts for capital project improvement revenues and expenditures financed by various sources primarily Federal and State grants, General Fund transfers, and community benefit payments for related capital projects.

Non-Major Governmental Funds is the aggregate of all the non-major governmental funds.

City of East Palo Alto
Balance Sheet
Governmental Funds
June 30, 2019

	Major Funds			
	General	Public Improvements in Lieu Special Revenue Fund	Housing in Lieu Special Revenue Fund	Capital Improvements Capital Projects Fund
ASSETS				
Cash and investments	\$ 29,664,908	\$ 309,795	\$ 8,618,921	\$ 17,195,951
Restricted cash and investments	-	1,071,927	-	-
Receivables:				
Accrued interest	169,586	2,096	72,929	97,009
Taxes	1,500,964	-	28,406	-
Intergovernmental	49,200	-	-	1,098,093
Accounts receivable	263,185	-	-	-
Deposits and prepayments	62,737	-	-	-
Advance to other funds	470,000	-	-	-
Loans to Successor Agency	10,406,134	-	-	-
Loans and notes receivable	-	-	878,293	-
Total assets	\$ 42,586,714	\$ 1,383,818	\$ 9,598,549	\$ 18,391,053
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 851,113	\$ -	\$ 3,800	\$ 656,325
Retentions payable	-	-	-	55,495
Deposits payable	1,128,165	-	-	5,000
Other accrued liabilities	1,053,327	-	-	90,231
Unearned revenue	-	1,071,927	-	-
Advances from developers	-	-	-	100,891
Total liabilities	3,032,605	1,071,927	3,800	907,942
Deferred inflows of resources:				
Unavailable revenues	349,539	-	6,544	104,681
Fund Balances: (Note 9)				
Nonspendable	10,938,871	-	-	-
Restricted	-	311,891	9,588,205	9,504,241
Assigned	1,839,551	-	-	7,874,189
Unassigned	26,426,148	-	-	-
Total fund balances	39,204,570	311,891	9,588,205	17,378,430
Total liabilities, deferred inflows of resources, and fund balances	\$ 42,586,714	\$ 1,383,818	\$ 9,598,549	\$ 18,391,053

See accompanying Notes to Basic Financial Statements.

Non-Major Governmental Funds	Total Governmental Funds
\$ 15,111,632	\$ 70,901,207
1,910	1,073,837
321,641	663,261
29,601	1,558,971
560,508	1,707,801
67,794	330,979
-	62,737
2,000,000	2,470,000
-	10,406,134
7,255,351	8,133,644
\$ 25,348,437	\$ 97,308,571

\$ 371,971	\$ 1,883,209
143,524	199,019
-	1,133,165
43,749	1,187,307
1,910	1,073,837
-	100,891
561,154	5,577,428

364,821	825,585
---------	---------

-	10,938,871
24,422,462	43,826,799
-	9,713,740
-	26,426,148
24,422,462	90,905,558

\$ 25,348,437	\$ 97,308,571
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City of East Palo Alto

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position June 30, 2019

Total Fund Balances - Total Governmental Funds	\$ 90,905,558
Amounts reported for governmental activities in the Statement of Net Position were different	
Governmental funds report capital outlays as expenditures. In the Government-wide financial statements, the cost of assets are capitalized and depreciated over the estimated useful lives of the assets and reported as depreciation expense. The capital assets, net of depreciation, are adjusted as follows:	
Non-depreciable	21,083,112
Depreciable, net	34,114,552
Total capital assets	55,197,664
Employer pension contributions are recorded as expenditures in the Governmental funds when paid based upon recommended actuarial contributions. In the Government-wide financial statements, certain pension activity is reported as deferred inflows of resources or deferred outflows of resources, as follows:	
Employer pension contributions reported as expense in the Governmental funds, but paid after the pension liability measurement date.	1,812,899
For multi-employer cost sharing pension plans, differences between actual employer pension contributions and the City's proportionate share of total aggregate employer contributions during the measurement period are deferred and amortized over the estimated average remaining service period of active members in the plan in the Government-wide statements, however, in the Governmental funds such transactions are not recorded.	2,405,350
In the Government-Wide Financial Statements certain differences between actuarial estimates and actual results for pension and differences due to changes proportion are deferred and amortized over a period of time, however in the governmental funds no transactions are recorded.	(354,029)
Unavailable revenue recorded in the fund financial statements resulting from activities in which revenues were earned but funds were not available are reclassified as revenues in the Government-Wide Financial Statements.	825,585
Long-term liabilities not due and payable in the current period; therefore, not reported in the Governmental Funds Balance Sheet.	
Compensated absences	(822,080)
Claims payable	(263,000)
Net pension liability	(10,642,902)
Total long-term liabilities	(11,727,982)
Net Position of Governmental Activities	\$ 139,065,045

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City of East Palo Alto
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2019

	Major Funds			
	General Fund	Public Improvements in Lieu Special Revenue Fund	Housing in Lieu Special Revenue Fund	Capital Improvements Capital Projects Fund
REVENUES:				
Property taxes	\$ 15,644,913	\$ -	\$ -	\$ -
Sales taxes	5,976,158	-	-	-
Transient occupancy tax	2,392,271	-	298,973	-
Utility users tax	1,537,991	-	-	-
Other taxes	14,840	-	-	-
Licenses, fees and permits	2,816,522	-	-	-
Charges for services	1,190,264	47,930	-	-
Fines and forfeitures	421,661	-	-	-
Use of money and property	960,735	10,233	260,261	328,622
Grants and intergovernmental	80,363	-	-	6,133,020
Miscellaneous	378,234	-	-	-
Total revenues	31,413,952	58,163	559,234	6,461,642
EXPENDITURES:				
Current:				
General government	4,017,504	20,821	26,859	78,293
Public safety	11,119,065	-	-	4,770
Public works	3,102,784	-	-	447,220
Culture and recreation	502,326	-	-	-
Community development	2,635,029	31,185	30,818	192,831
Capital outlay	-	52,848	-	5,845,173
Debt service:				
Principal	16,085	-	-	-
Interest, and fiscal charges	154	-	-	-
Total expenditures	21,392,947	104,854	57,677	6,568,287
REVENUES OVER (UNDER) EXPENDITURES	10,021,005	(46,691)	501,557	(106,645)
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	8,058,720
Transfers out	(8,637,770)	-	-	-
Total other financing sources (uses)	(8,637,770)	-	-	8,058,720
Net change in fund balances	1,383,235	(46,691)	501,557	7,952,075
FUND BALANCES:				
Beginning of year	37,821,335	358,582	9,086,648	9,426,355
End of year	\$ 39,204,570	\$ 311,891	\$ 9,588,205	\$ 17,378,430

See accompanying Notes to Basic Financial Statements.

Non-Major Governmental Funds	Total Governmental Funds
\$ 831,860	\$ 16,476,773
657,197	6,633,355
298,973	2,990,217
-	1,537,991
1,258,623	1,273,463
-	2,816,522
789,312	2,027,506
-	421,661
522,666	2,082,517
1,245,710	7,459,093
7,706	385,940
5,612,047	44,105,038
553,161	4,696,638
116,867	11,240,702
600,093	4,150,097
701,305	1,203,631
699,549	3,589,412
1,902,335	7,800,356
-	16,085
-	154
4,573,310	32,697,075
1,038,737	11,407,963
579,050	8,637,770
-	(8,637,770)
579,050	-
1,617,787	11,407,963
22,804,675	79,497,595
\$ 24,422,462	\$ 90,905,558

City of East Palo Alto

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Government-Wide Statement of Activities For the year ended June 30, 2019

Net Change in Fund Balances - Total Governmental Funds	\$ 11,407,963
Amounts reported for governmental activities in the Statement of Activities were different because:	
Governmental funds reported capital outlay as expenditures. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over the estimated useful lives as depreciation expense. This was the amount of capital assets recorded in the current period.	8,132,587
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(1,735,289)
Accrued compensated is reported as an expenditure in the Governmental funds when paid, but the accrued payable increased compensated leave liabilities in the Government-Wide Statement of Net Position.	(54,839)
Payments on existing claims against the City are recorded as expenditures in governmental funds, but the payment reduced long-term liabilities in the Government-Wide Statement of Net Position. Expenses related to new claims and changes in claim estimates do not require the use of current financial resources and therefore are not reported as an expenditure in Governmental funds.	(68,000)
Payments on capital lease obligations are reported as expenditures in Governmental funds as paid, but the repayments reduce long-term liabilities in the Government-wide Statement of Net Position.	16,085
Current year employer pension contributions are recorded as expenditures in the Governmental funds, however these amounts are reported as a deferred outflow of resources in the Government-Wide Statement of Net Position.	1,812,899
Pension expense is recorded as incurred in the Government-Wide Statement of Activities, however pension expense is not recognized in the governmental funds.	(2,708,974)
Grant and tax revenues that do not meet the revenue recognition criteria in the governmental funds but are recognized as revenue in the Government-Wide Financial Statements.	(2,200,040)
Change in Net Position of Governmental Activities	\$ 14,602,392

See accompanying Notes to Basic Financial Statements.

PROPRIETARY FUND FINANCIAL STATEMENTS

Garbage Collection Fund accounts for the certain activities associated with garbage collection services.

Water Service Fund accounts for activities related to water lease and capital improvement surcharge revenues utilized to improve and expand the City's water system infrastructure.

City of East Palo Alto
Statement of Net Position
Proprietary Funds
June 30, 2019

	Enterprise Funds		
	Garbage Collection	Water Service	Total
ASSETS			
Current assets:			
Cash and investments	\$ 1,660,057	\$ 7,201,862	\$ 8,861,919
Cash with fiscal agents	-	585,637	585,637
Accrued interest	8,923	42,465	51,388
Intergovernmental receivable	-	224,289	224,289
Accounts receivable, net	23,333	74,679	98,012
Total current assets	<u>1,692,313</u>	<u>8,128,932</u>	<u>9,821,245</u>
Noncurrent assets:			
Capital assets:			
Non-depreciable	-	5,304,020	5,304,020
Depreciable, net	-	6,360,934	6,360,934
Total capital assets	<u>-</u>	<u>11,664,954</u>	<u>11,664,954</u>
Total noncurrent assets	<u>-</u>	<u>11,664,954</u>	<u>11,664,954</u>
Total assets	<u>1,692,313</u>	<u>19,793,886</u>	<u>21,486,199</u>
LIABILITIES			
Current liabilities:			
Accounts payable	606,174	60,637	666,811
Other accrued liabilities	-	1,385	1,385
Note payable, due in more than one year	-	23,333	23,333
Total current liabilities	<u>606,174</u>	<u>85,355</u>	<u>691,529</u>
Noncurrent liabilities:			
Deposits payable	-	26,360	26,360
Advances from developers	-	2,778,229	2,778,229
Advance from other funds	-	2,470,000	2,470,000
Note payable, due in more than one year	-	676,667	676,667
Total noncurrent liabilities	<u>-</u>	<u>5,951,256</u>	<u>5,951,256</u>
Total liabilities	<u>606,174</u>	<u>6,036,611</u>	<u>6,642,785</u>
NET POSITION			
Net investment in capital assets	-	10,964,954	10,964,954
Unrestricted	1,086,139	2,792,321	3,878,460
Total net position	<u>\$ 1,086,139</u>	<u>\$ 13,757,275</u>	<u>\$ 14,843,414</u>

See accompanying Notes to Basic Financial Statements.

City of East Palo Alto
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the year ended June 30, 2019

	Enterprise Funds		
	Garbage Collection	Water Service	Total
OPERATING REVENUES:			
Charges for services and other fees	\$ 2,355,958	\$ 855,651	\$ 3,211,609
Other	280,661	329,138	609,799
Total operating revenues	2,636,619	1,184,789	3,821,408
OPERATING EXPENSES:			
Outside services	2,482,053	176,061	2,658,114
Administration	101,039	45,259	146,298
Depreciation	-	201,995	201,995
Total operating expenses	2,583,092	423,315	3,006,407
OPERATING INCOME	53,527	761,474	815,001
NONOPERATING REVENUES (EXPENSES):			
Interest income	41,162	192,885	234,047
Total nonoperating revenues (expenses)	41,162	192,885	234,047
Change in net position	94,689	954,359	1,049,048
NET POSITION			
Beginning of year	991,450	12,802,916	13,794,366
End of year	\$ 1,086,139	\$ 13,757,275	\$ 14,843,414

See accompanying Notes to Basic Financial Statements.

City of East Palo Alto
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2019

	Enterprise Funds		
	Garbage Collection	Water Service	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from others	\$ 280,661	\$ 329,138	\$ 609,799
Cash received from customers	2,354,625	889,719	3,244,344
Cash payments to suppliers for goods and services	(2,447,038)	(254,817)	(2,701,855)
Cash paid to employees and city administration	(101,039)	(45,259)	(146,298)
Net cash provided by operating activities	<u>87,209</u>	<u>918,781</u>	<u>1,005,990</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	-	(5,112)	(5,112)
Advances from developers	-	3,829	3,829
Net cash (used in) capital and related financing activities	<u>-</u>	<u>(1,283)</u>	<u>(1,283)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income received	39,543	174,562	214,105
Net cash provided by investing activities	<u>39,543</u>	<u>174,562</u>	<u>214,105</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	126,752	1,092,060	1,218,812
CASH AND CASH EQUIVALENTS - Beginning of year	1,533,305	6,695,439	8,228,744
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 1,660,057</u>	<u>\$ 7,787,499</u>	<u>\$ 9,447,556</u>
FINANCIAL STATEMENT PRESENTATION:			
Cash and investments	\$ 1,660,057	\$ 7,201,862	\$ 8,861,919
Cash with fiscal agents	-	585,637	585,637
Total	<u>\$ 1,660,057</u>	<u>\$ 7,787,499</u>	<u>\$ 9,447,556</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	\$ 53,527	\$ 761,474	\$ 815,001
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	-	201,995	201,995
Changes in assets and liabilities:			
Accounts receivable	(1,333)	34,068	32,735
Accounts payable	35,015	(78,756)	(43,741)
Total adjustments	<u>33,682</u>	<u>157,307</u>	<u>190,989</u>
Net cash provided by operating activities	<u>\$ 87,209</u>	<u>\$ 918,781</u>	<u>\$ 1,005,990</u>

See accompanying Notes to Basic Financial Statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

Private Purpose Trust Funds

Successor Agency Trust to the Redevelopment Agency Private-Purpose Trust Fund accounts for the accumulation of resources held and administered under trust for the benefit of others. As discussed in Note 14, all California Redevelopment Agencies were dissolved pursuant to the Dissolution Act. In January 2012, the City elected to serve as the Successor Agency (SA) of the former Redevelopment Agency. The SA is responsible for winding down the affairs of the former agency. This fund accounts for receipts and payments related to the Enforceable Obligation Schedule; and the disposition of assets and property of the former Redevelopment Agency for the benefit of taxing agencies. The financial activities of the fund are excluded from the Government-wide financial statements, but are presented in the separate Fiduciary Fund financial statements.

City of East Palo Alto
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	<u>Successor Agency Trust Fund</u>
ASSETS	
Current assets	
Cash and investments	\$ 3,111,050
Receivables:	
Interest receivable	13,775
Total current assets	<u>3,124,825</u>
Noncurrent assets	
Prepaid expense	86,157
Total noncurrent assets	<u>86,157</u>
Total assets	<u><u>3,210,982</u></u>
LIABILITIES	
Liabilities:	
Current liabilities	
Accounts payable	196
Other accrued liabilities	169,388
Loans payable to City - Due in one year	2,124,700
Bonds payable - due in one year	900,000
Total current liabilities	<u>3,194,284</u>
Noncurrent liabilities	
Loans payable to City of East Palo Alto	8,281,433
Bonds payable - due in more than one year	16,395,456
Total noncurrent liabilities	<u>24,676,889</u>
Total liabilities	<u><u>27,871,173</u></u>
DEFERRED INFLOWS OF RESOURCES	
Deferred gain on refunding	<u>276,651</u>
NET POSITION	
Held in trust for dissolution of RDA	<u>(24,936,842)</u>
Total net position	<u><u>\$ (24,936,842)</u></u>

See accompanying Notes to Basic Financial Statements.

City of East Palo Alto
Statement of Changes in Fiduciary Net Position
All Fiduciary Funds - Private Purpose Trust Funds
For the year ended June 30, 2019

	Successor Agency Trust Fund
ADDITIONS:	
RDA property tax trust fund distribution	\$ 3,366,598
Use of money and property	40,881
Total additions	<u>3,407,479</u>
DEDUCTIONS:	
General government	22,157
Community development	27,843
Interest expense and fiscal charges	649,012
Total Deductions	<u>699,012</u>
Change in net position	2,708,467
NET POSITION:	
Beginning of year	<u>(27,645,309)</u>
End of year	<u>\$ (24,936,842)</u>

See accompanying Notes to Basic Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

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City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of East Palo Alto, California (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

The City of East Palo Alto (City) was incorporated in 1983, under the General Laws of the State of California and enjoys all the rights and privileges pertaining to "General Law" cities. The City uses the City Council/Manager form of government. The local government is comprised of five Council members who are elected every four years and act under powers granted under State law. The City provides a variety of services including general administration; police public safety; street/highway, storm drain, streetlight and park maintenance; community development, and community services, including rent control services.

The basic financial statements present the City and its component units, entities for which the City is financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. The City has no discretely presented component units. The blended component unit has a June 30 year-end. The following entity is reported as a blended component unit:

The East Palo Alto Public Financing Authority - The East Palo Alto Public Financing Authority (Authority) was organized in October 1999 under a joint exercise of power agreement to provide financing for public improvements for the City and the former East Palo Alto Redevelopment Agency (former Agency). The Authority and the City have a financial and operational relationship, which requires that the Authority's financial statements be blended into the City's financial statements. The Authority's Board consists exclusively of all members of the City Council. Separate financial statements of the Authority are not prepared. There are currently no reportable financial transactions of the Authority.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on a fund basis, each of which is considered a separate accounting entity with its own self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses. These funds are established for the purpose of carrying out activities or certain objectives in accordance with specific regulations, restrictions, or limitation. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Government-Wide Financial Statements, Continued

The financial statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all the City’s assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liabilities are incurred.

Certain types of transactions reported as program revenues for the City are reported in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made related to inter-fund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Transfers in/out

The City applies all applicable GASB pronouncements including all NCGA Statements and Interpretations currently in effect.

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the government-wide financial statements. The City has presented all major funds that meet specific qualifications.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

Revenues are recorded when received in cash, except that revenues subject to accrual (generally those received 60 days after year-end) are recognized when due. The primary revenue sources that have been treated as susceptible to accrual by the City are property taxes, taxpayer-assessed tax revenues (sales taxes, transient occupancy taxes, franchise taxes, etc.), grant revenues and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The City reports the following funds as major governmental funds of the City:

General Fund accounts for resources traditionally associated with governmental activities that are not required legally or by sound financial management to be accounted for in another fund.

Public Improvements in Lieu Special Revenue Fund accounts for development fee and contractual revenues, and capital expenditures for related public improvement assets.

Housing in Lieu Special Revenue Fund accounts for developer fees and deposits in lieu of providing affordable housing and 10% set-aside of transient occupancy taxes collected as approved by voters, and the expenditures related to affordable housing activities.

Capital Improvements Capital Projects Fund accounts for capital project improvement revenues and expenditures financed by various sources, primarily Federal and State grants, General Fund transfers, and capital-related community benefit receipts.

The City reports the following governmental funds as non-major governmental funds of the City:

NPDES Fees Special Revenue Fund accounts for the revenues and expenditures from assessments levied on property in the City in compliance with the provisions of the National Pollutant Discharge Elimination System for prevention of storm water and flood related damage.

Gas Tax Special Revenue Fund accounts for funds received from the State of California to use for street and highway related projects.

Federal and State Law Enforcement Special Revenue Fund accounts for the receipt and use of State and Federal law enforcement related grant money.

Park in Lieu Special Revenue Fund accounts for park in lieu fees collected from developers.

Rent Stabilization Fund accounts for revenues and expenditures to support rent stabilization activities.

Federal and State Grants Special Revenue Fund accounts for grant money received and expended from various Federal and State government grants.

Housing Assistance Special Revenue Fund accounts for first time home buyer assistance program activities.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Governmental Fund Financial Statements, Continued

Measure A Special Revenue Fund accounts for the City's share of Measure A revenues and expenditures. Measure A is a half-cent sales tax to support countywide (San Mateo County) transportation projects and programs.

CYSFF Children/Youth/Seniors/Family Special Revenue Fund accounts for 10% of transient occupancy taxes collected as approved by voters and the City Council approved funding for various non-profit organizations related to Children/Youth/Seniors/Family programs.

Lighting District Special Revenue Fund accounts for revenues (property taxes) and expenditures for the Ravenswood Highway Lighting District.

Drainage District Special Revenue Fund accounts for revenues (property taxes) and expenditures for the East Palo Alto Maintenance Drainage District.

Measure C Special Revenue Fund accounts for the revenues and expenditures of Measure C Special Parcel tax. Measure C was approved by the voters in November 2006. The tax is annual parcel tax and the funds are to be used to support violence prevention and public safety intervention.

Local Grants Special Revenue Fund accounts for revenues and expenditures from local public and private grants including the C/CAG Shuttle and the CA Endowment grants.

Silicon Valley Community Foundation (SVCF) Special Revenue Fund accounts for gift monies from the Silicon Valley Community Foundation to be used for the purpose of incentivizing the development of affordable housing within the City. Up to \$2,000,000 was authorized for an inter-fund Advance to provide monies to purchase certain water rights. Remaining funds are restricted to pay a minimum amount of \$500,000 for an affordable housing manager over a minimum period of five years.

Low and Moderate Income Housing Successor Special Revenue Fund accounts for the activities related to the housing assets assumed by the City as Housing Successor to the former Redevelopment Agency. The activities are governed by California redevelopment law and must be used to provide housing for people with low and moderate incomes. The main source of revenue is the repayment of loans restricted for housing activities.

Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Change in Net Position, and a Statement of Cash Flows for all proprietary funds.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which a liability is incurred.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

B. Basis of Accounting and Measurement Focus, Continued

Proprietary Fund Financial Statements, Continued

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City reports the Garbage Collection and Water Service enterprise funds as proprietary funds of the City.

Garbage Collection Fund accounts for the activities associated with garbage collection services.

Water Service Fund accounts for the certain activities related to water lease and capital surcharge revenues utilized to improve and expand the City's water system infrastructure.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements consist of a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. Private-purpose trust funds account for resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments (i.e. unclaimed property/escheat property). Fiduciary funds are accounted for using the accrual basis of accounting. The City reports the following fiduciary funds:

Successor Agency Private Purpose Trust Fund – accounts for assets and liabilities held by the City pursuant to California Redevelopment Dissolution Law whereby the City elected to serve as the Successor Agency of the former Agency effective February 1, 2012. The Successor Agency serves as custodian for the assets of, and winding down affairs related to, the former Agency. The Successor Agency is allocated revenues necessary to pay enforceable obligations of the former Agency. The activities of the fund are excluded from the Government-wide financial statements but are presented in the separate Fiduciary fund financial statements.

C. Cash, Cash Equivalents and Investments

The City pools cash resources from all funds in order to facilitate the management of cash. The balance in the pooled cash account is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and other investments for varying terms.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 31)*, certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

C. Cash, Cash Equivalents and Investments, Continued

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end, and other disclosures.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. The City categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City does not have any investments that are measured using Level 3 inputs.

The City participates in an investment pool managed by the State of California entitled Local Agency Investment Fund (LAIF) which has invested a portion of the pooled funds in structured notes and asset-backed securities. LAIF investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk as to the change in interest rates.

Cash equivalents are considered amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the City and are presented as "Cash and Investments" in the accompanying Basic Financial Statements.

The City considers all pooled cash and investments (consisting of cash and investments and restricted cash and investments) held by the City as cash and cash equivalents because the pool is used essentially as a demand deposit account from the standpoint of the funds. The City also considers all non-pooled cash and investments (consisting of cash with fiscal agent and restricted cash and investments held by fiscal agent) as cash and cash equivalents because investments meet the criteria for cash equivalents defined above.

D. Restricted Cash and Investments

Certain restricted cash and investments are held by fiscal agents for the redemption of bonded debt, for acquisition and construction of capital projects, and to meet bond indenture debt reserve requirements. Cash and investments are also restricted for deposits held for others within the proprietary funds.

E. Prepayments

Payments made for services that will benefit periods beyond fiscal year end are recorded as prepaid items. In the governmental fund types, there is a portion of non-spendable fund balance equal to the total prepaid items since these are not available for appropriation.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Capital Assets

Capital assets used in governmental fund operations, including infrastructure assets (i.e. roads, curbs, gutters, bridges, sidewalks, drainage systems, lighting systems, and other assets) are reflected in the government-wide financial statements, along with related depreciation. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated life in excess of one year. Purchased capital assets are valued at historical cost or estimated historical cost. Donated capital assets are valued at their acquisition value on the date donated. Capital assets acquired under lease or purchase agreements are capitalized when the City accumulates an ownership equity in the assets acquired.

The purpose of depreciation is to allocate the cost of capital assets equitably among all users over the life of these assets. The amount charged to depreciation expense each year represents that year's pro rata share of the cost of capital assets.

Depreciation is provided using the straight-line method whereby the cost of the asset is divided by its expected useful life in years and the result is charged to expense each year until the asset is fully depreciated. The City has assigned the useful lives listed below to capital assets:

Infrastructure	7-55 years
Buildings and Improvements	30 years
Furniture, Fixture, and Equipment	5-10 years
Automobiles and Trucks	10 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

G. Unearned revenue

Unearned revenue is recognized for transactions for which revenue has not yet been earned. Typical transactions recorded as unearned revenues in the Government-wide Financial Statements are prepaid charges for services.

H. Long-Term Debt

Government-wide Financial Statements – Long-term debt and other long-term obligations are reported as liabilities in the appropriate activities.

Bond premiums and discounts are amortized over the life of the bonds using straight line method. Bonds payable are reported net of the applicable bond premium or discount.

Fund Financial Statements – The governmental fund financial statements do not report long-term debt. As such, long-term debt is shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-wide Statement of Net Position.

Bond premiums and discounts, as well as certain issuance costs, are recognized during the current period as other financing sources or uses. Bond proceeds are reported as other financing sources.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

H. Long-Term Debt, Continued

Proprietary Fund Financial Statements use the same principles as those used in the Government-wide Financial Statements.

I. Property Taxes

State Constitution Article XIII A provides for a maximum general property tax rate statewide of \$1.00 per \$100, or one percent (1%) of assessed value unless an additional override tax rate is levied to pay voter-approved indebtedness. At the time of transfer of ownership, assessed value is calculated at 100% of market value as defined by Article XIII A; otherwise assessed value is applied to the adjusted 1975-76 value of the property plus new construction value added after the 1975-76 valuation. Taxable values on properties can rise or be adjusted at the lesser 2% per year or the inflation rate as determined by the Board of Equalization California Consumer Price Index. The State Legislature has determined the method of distribution of receipts from a \$1.00 tax levy among the counties, cities, school districts and other districts. Counties, cities, school districts and other special districts, may levy such additional tax rate as is necessary to provide for voter-approved debt.

The County of San Mateo assesses properties and bills for and collects property taxes as follows:

	Secured	Unsecured
Valuation/lien dates	January 1	January 1
Levy dates	On or before November 1	July 1
Due dates (delinquent after)	50% on November 1 (December 10) 50% on February 1 (April 10)	July 1 (August 31)

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position (balance sheet) may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position (balance sheet) may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Net Position

Government-Wide Financial Statements

In the Government-wide Financial Statements, net position is classified in the following categories:

Net Investment in Capital Assets - This amount consists of capital assets, net of accumulated depreciation and reduced by outstanding debt, that is attributed to the acquisition, construction, or improvement of the assets.

Restricted - This amount is restricted by external creditors, grantors, contributors, or laws or regulations of governments.

Unrestricted - This amount is the net position balance that does not meet the definition of "net investment in capital assets" or "restricted net position" as defined above.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first.

L. Fund Balances

In February 2009, the Governmental Accounting Standards Board (GASB) issued Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). The new classifications of fund balances are listed below:

Nonspendable Fund Balances

Non-spendable balances consist of amounts that do not represent available, spendable resources even though they are a component of assets. Fund balances required to be maintained intact, such as Permanent Funds, and assets not expected to be converted to cash, such as prepaids, notes receivable, and land held for resale are included. However, if proceeds realized from the sale or collection of nonspendable assets are restricted, committed, or assigned, then non-spendable amounts are required to be presented as a component of the applicable category.

Restricted Fund Balances

Restricted fund balances have external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for specific purpose. Encumbrances and nonspendable amounts subject to restrictions are included with spendable resources.

Committed Fund Balances

Committed fund balances have constraints imposed by resolution of the City Council which may be altered only by resolution of the City Council. Encumbrances and nonspendable amounts subject to Council commitments are included with spendable resources.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Fund Balances, Continued

Assigned Fund Balances

Assigned fund balances are amounts constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. Intent is expressed by the City Council or its designee and may be changed at the discretion of the City Council or its designee. This category includes encumbrances and non-spendable balance, when it is the City's intent to use proceeds or collections for a specific purpose. The City Council is the only entity that has authority to make assignments of fund balance. The City Council has not delegated the authority to make assignments of fund balance.

Unassigned Fund Balance

Unassigned fund balance represents residual amounts that have not been restricted, committed, or assigned. This includes the residual general fund balance and residual fund deficits, if any, of other governmental funds.

Hierarchy of Expenditures to Classify Fund Balance Amounts

For expenditures made in any governmental fund, the restricted amounts will be reduced first, followed by committed amounts, assigned amounts, and then unassigned amounts.

Minimum Fund Balance Policies

The City's Budget Guidelines and Fiscal Policies require that the City strives to maintain a reserve in the General Fund which represents 15% of fund expenditures, including planned capital and operating transfers.

On June 30, 2019, the General Fund reported \$3,750,000 in reserve which meets the City's minimum 15% requirement level of \$3,649,608. The General Fund reserve fund balance is \$100,392 above this requirement.

M. Compensated Leave Payable

Compensated absences are primarily comprised of unpaid vacation leave which is accrued as earned. All full-time, regular employees are entitled to earn a minimum of 80-hours of vacation per year. The accrual rate increases as length of related service exceeds five years. Maximum accrual of vacation ranges from 288 hours to 320 hours depending on length of related service. For governmental funds, compensated leave payable is recorded as current and noncurrent liabilities and as expenses only on the Government-wide Financial Statements. Compensated absences are reported in governmental funds only if they have matured.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

N. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's California Public Employees' Retirement System (CalPERS) plan (Plan) and additions to/ deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Use of Estimates

The preparation of the Basic Financial Statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

P. New Pronouncements

In 2019, the City adopted new accounting standards in order to conform to the following Governmental Accounting Standards Board Statements:

- GASB Statement No. 83, *Certain Asset Retirement Obligations* - The objective of this statement is to provide financial statement users with information about asset retirement obligations (AROs) that were not addressed in GASB standards by establishing uniform accounting and financial reporting requirements for these obligations. The requirements of this statement did not apply to the City for the current fiscal year.
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* - The objective of this statement is to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt.

2. CASH AND INVESTMENTS

The City maintains a cash and investment pool for all funds. Certain restricted funds that are held and invested by independent outside custodians through contractual agreements are not pooled. These restricted funds include cash and investment held by trustees.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

2. CASH AND INVESTMENTS, Continued

A. Summary of Cash and Investments

The following is a summary of cash and investments at June 30, 2019:

	Government-Wide Statement of Net Position			Total
	Governmental Activities	Business-Type Activities	Fiduciary Funds	
Cash and investments	\$ 70,901,207	\$ 8,861,919	\$ 3,111,050	\$ 82,874,176
Restricted cash and investments	1,073,837	585,637	-	1,659,474
Total cash and investments	\$ 71,975,044	\$ 9,447,556	\$ 3,111,050	\$ 84,533,650

Cash and investments as of June 30, 2019 consist of the following:

Deposits:	
Cash on hand	\$ 10,800
Deposits with financial institution	1,984,286
Total deposits	1,995,086
Investments:	
Local Agency Investment funds	48,131,155
San Mateo Investment Pool	32,747,935
Total investments	80,879,090
Total City Treasury	82,874,176
Restricted cash and investments	
Cash with fiscal agent	1,659,474
Total restricted cash and investments	1,659,474
Total cash and investments	\$ 84,533,650

B. Deposits

The carrying amount of the City's cash deposit was \$1,984,286 at June 30, 2019. Bank balances before reconciling items were a positive amount of \$2,053,466 at June 30, 2019. The City has waived the collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The remaining amount was collateralized with securities held by the pledging financial institutions in the City's name.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

2. CASH AND INVESTMENTS, Continued

B. Deposits, Continued

The California Government Code (Code) requires California banks and savings and loan associations to secure the City's cash deposits by pledging securities as collateral. The Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is held in the City's name.

The fair value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

C. Authorized Investments by the City

The City's Investment Policy and the California Government Code allow the City to invest in the following, provided the credit ratings of the issuers are acceptable to the City. The following also identifies certain provisions of the City and California Government Code that address interest rate risk, credit risk, and concentration of credit risk. This does not address the City's investments of debt proceeds held by fiscal agents that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the Entity's investment policy.

Under the provisions of the City's investment policy, and in accordance with the Code, the following investments are authorized:

Issue Type	Maximum Maturity	Maximum % Holdings*	Maximum % per Issuer	Minimum Rating
Municipal Bonds	5 years	100%	5%	N/A
U.S. Treasuries and General Obligations	5 years	100%	100%	N/A
Federal Agency or US Government-sponsored Enterprise (GSE)	5 years	100%	50%	N/A
Bankers' Acceptance	180 days	40%	5%	N/A
Commercial Paper**	270 days	25%	5%	A-1/P-1 plus A Long Term
Negotiable Certificates of Deposit	5 years	30%	5%	N/A
Medium-Term (Corporate) Notes	5 years	30%	5%	A
Mutual and Money Market Funds	2(A)7 Eligible	20%	10%	AAA/AAA
Shares of Beneficial Interest by a JPA	5 years	100%	50%	N/A
Supranationals (IBRD, IFC and IDB)	5 years	30%	5%	AA
Collateralized Bank Deposits	5 years	100%	20%	N/A
County Investment Pool	N/A	Max permitted by County Treasurer	Max permitted by County Treasurer	N/A
Local Agency Investment Fund (LAIF)	N/A	Max permitted by State Treasurer	Max permitted by State Treasurer	N/A

*Excluding Amounts Held by bond trustee that are not subject to California Government Code restrictions

**A-1 or equiv plus A Long Term; total assets in excess of \$500MM; no more than 10% outstanding from a single issuer.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

2. CASH AND INVESTMENTS, Continued

D. Investments

Investments are stated at fair value using the aggregate method in all funds, resulting in the following investment income in all funds:

Interest income	\$ 1,596,237
Unrealized gain/(loss) in changes in fair value of investments	<u>433,994</u>
Total investment income	<u>\$ 2,030,231</u>

The City’s portfolio value fluctuates in an inverse relationship to any change in interest rate. Accordingly, if interest rates rise, the portfolio value will decline. If interest rates fall, the portfolio value will rise. The portfolio for year-end reporting purposes is treated as if it were all sold. Therefore, fund balance must reflect the portfolio’s change in value. These portfolio value changes are unrealized unless sold.

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City’s investments with LAIF at June 30, 2019, include a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

Structured Notes - are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or have embedded forwards or options.

Asset-Backed Securities - the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2019, the City had \$48,131,155 invested in LAIF, which had invested 1.77% of the pool investment funds in Structured Notes and Asset-Backed Securities as compared to 2.67% in the previous year. The LAIF fair value factor of 1.00171179 was used to calculate the fair value of the investments in LAIF.

The City is also a voluntary participant in the San Mateo County Investment Fund (County Pool) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the County. The City reports its investment in the County Pool at the fair value amount provided by the County. Included in the County Pool’s investment portfolio are US Treasury Notes, Obligations issued by agencies of the United States Government, LAIF, Corporate Notes, Commercial Paper, collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government-sponsored enterprises, and corporations. The fair value factor of 1.0026 was used to calculate the fair value of the investments in the County Pool.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

2. CASH AND INVESTMENTS, Continued

E. Risk Disclosures

Interest Risk: Interest rate risk is the fair value fluctuation due to overall changes in the interest rates. It is mitigated by limiting the average maturity of the City's portfolio not to exceed three years.

Investments held in the City Treasury grouped by maturity date at June 30, 2019, are shown below:

Investment Type	Fair Value	Investment Maturities (in years)				
		1 year or Less	2 years	3 years	4 years	5 years
City Local Agency Investment Fund	\$ 48,131,155	\$ 48,131,155	\$ -	\$ -	\$ -	\$ -
San Mateo County Pool	32,747,935	32,747,935	-	-	-	-
Total	\$ 80,879,090	\$ 80,879,090	\$ -	\$ -	\$ -	\$ -

Credit Risk: Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2019 for each investment type:

	Credit Quality Ratings		Fair Value
	Moody's	S&P	
Investments:			
Local Agency Investment Funds	Not Rated	Not Rated	48,131,155
San Mateo County Pool	Not Rated	Not Rated	32,747,935

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the City's investments were subject to custodial credit risk.

F. Investment Valuation

Investments (except for money market accounts, time deposits, and commercial paper) are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments in LAIF and San Mateo County Pool and restricted cash and investments included money market accounts and guaranteed investment contracts are not subject to levelling disclosure requirements.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

3. INTERFUND TRANSACTIONS

A. Transfers

At June 30, 2019, the City had the following transfers in/out which arise in the normal course of operations.

	Transfers In		Total
	Capital Improvements	Non-Major Governmental Funds	
Transfers Out			
Major Funds			
General Fund	\$ 8,058,720	\$ 579,050	\$ 8,637,770
Total	<u>\$ 8,058,720</u>	<u>\$ 579,050</u>	<u>\$ 8,637,770</u>

Transfers from the General fund were made to 1) the Capital Improvements Fund to fund various capital improvement projects, and 2) to non-major funds for storm drain and street sweeping operational costs.

B. Long Term Inter-Fund Advances

Inter-fund Advances from the General Fund and the SVCF Fund were made to the Water Service Enterprise Fund to provide liquidity for the purchase of water rights. The advances will be repaid upon collection of development impact fees related to the cost of the water rights acquired to increase development capacity within the City. At June 30, 2019, the City had the following inter-fund advances to/from:

Advances From	Advance To Water Services Fund
Major Funds	
General Fund	\$ 470,000
Non-Major Fund	2,000,000
	<u>\$ 2,470,000</u>

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

4. LOANS AND NOTES RECEIVABLE

Loans receivable as of June 30, 2019, composed of the following, were held by the City:

	Balance as of June 30, 2019
Nairobi Housing Associates Loan	\$ 5,485,176
Nugent Square Partners Loan	1,100,000
Bay Road Housing Loan	462,500
First Time Home Buyer Assistance Loans	207,675
University Senior Apts	693,293
EPA CAN DO Loan	185,000
Subtotal	8,133,644
Loans to Successor Agency	10,406,134
Total:	\$ 18,539,778

A. Nairobi Housing Associates Loan

On June 1, 1999, the former Agency entered into a loan agreement with Nairobi Housing Associates (Nairobi), a California Limited Partnership. The \$5,500,000 loan was used by Nairobi used to develop 129 affordable multi-family rental housing units, ancillary landscaping, and other improvements known as Peninsula Park Apartments (the Project). In February 2019, the City approved certain regulatory and loan agreement amendments in connection with developer-refinancing of the Project, including extending the loan maturity. The loan accrues simple interest at the rate of 1% per annum, commencing February 1, 2001. The amended loan matures on July 31, 2056 and is secured by a subordinated note and deed of trust on the property.

B. Nugent Square Partners Loan

On August 1, 2003, the former Agency entered into a loan agreement in the amount of \$1,100,000 with Nugent Square Partners, L.P. (Nugent), a California Limited Partnership to develop 32 affordable multi-family rental housing units, ancillary landscaping, and other improvements known as Nugent Square Apartments. The loan accrues simple interest at the rate of 1% per annum. The loan matures in February 2045 and is secured by a deed of trust on the property.

C. Bay Road Housing Loan

In December 2004, the former Agency entered into a loan agreement with Bay Road Housing, L.P., a California Limited Partnership to provide annual maximum operating gap subsidies related to the development and subsequent operation of 77 affordable multi-family rental housing units known as Courtyard at Bay Road Apartments. The loan provides a maximum annual operating subsidy of \$60,000 over a period of twenty years, or a maximum loan of \$1.2 million. The loan accrues simple interest at the rate of 2% per annum. The loan matures in January 2027 and is secured by a deed of trust on the property.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

4. LOANS AND NOTES RECEIVABLE, Continued

D. First Time Home Buyer Assistance Loans

On December 21, 2004, the City approved a program for a down payment assistance loans to qualified homebuyers who met the criterion to purchase a below-market rate (BMR) home in East Palo Alto. Generally, the assistance consists of 30-year loans at a fixed rate of 3% interest with payments deferred for the first five years.

E. University Senior Apartments Loan

On November 25, 2015, the City entered into a loan agreement in the amount of \$700,000 with University Senior Apartments, L.P., a California limited partnership to develop 41 affordable multi-family senior housing units known as Serenity Senior Apartments. The loan bears an interest rate of 3% simple interest per annum, commencing on September 5, 2017. The loan is due on November 25, 2072 and is secured by a deed of trust on the property.

F. EPA CAN DO Loan

On April 24, 2019, the City entered into an assignment of option and loan agreement in the amount of \$185,000 with East Palo Alto Community Alliance Neighborhood Development Organization (EPA CAN DO) to fund the acquisition of a below-market rate house. The loan does not bear interest unless a default occurs under the provision of the loan. The loan is unsecured and expires on May 7, 2020 or upon the sale of the property by EPA CAN DO.

G. Loans to Successor Agency

At June 30, 2019, the outstanding balance of \$10,406,134 is comprised of two advances to the former Agency which were assumed by the Successor Agency on February 1, 2012. Repayment of the loans were subject to approval as enforceable obligations of the Successor Agency under California Dissolution Law. In April 2016, the Department of Finance approved the loans as enforceable obligations. The repayment amounts are subject to annual limits in available property tax increment:

- a. *Ravenswood Repayment Agreement (\$5,139,504)* provided for the ongoing assistance and services in connection with the implementation of the redevelopment plan for the Ravenswood Project Area. Repayment terms are subject to a formula outlined in the California Health and Safety Code and approved on an annual recognized obligation schedule (ROPS) under Dissolution Law. Interest on the outstanding principal is calculated at 3% simple interest per quarter from the inception of the loan.
- b. *Gateway/101Purchase and Sale Agreement (\$5,266,630)* - provided for the sale of the Ravenswood High School Site to the former Redevelopment Agency. This property was developed into a retail shopping center in the Gateway 101 Project Area. Repayment terms are subject to a formula outlined in the California Health and Safety Code and approved on an annual recognized obligation schedule (ROPS) under Dissolution Law. There is no interest provision.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

5. CAPITAL ASSETS

Changes in capital assets during the year ended June 30, 2019, are comprised of the following:

	Balance at June 30, 2018	Additions	Deletions/ Reclassification	Balance at June 30, 2019
Government activities				
Capital assets not being depreciated				
Land	\$ 4,058,724	\$ -	\$ -	\$ 4,058,724
Construction in progress	11,395,297	7,767,539	(2,138,448)	17,024,388
Total capital assets not being dep.	15,454,021	7,767,539	(2,138,448)	21,083,112
Capital assets being depreciated:				
Infrastructure:				
Streets and roadways	46,021,659	1,630,851	-	47,652,510
Storm drain system	6,230,617	507,597	-	6,738,214
Building and Improvements	8,289,385	32,817	136,916	8,459,118
Improvements other than bldg	9,558,304	-	(136,916)	9,421,388
Furniture, Fixtures and Equipment	2,060,138	88,063	-	2,148,201
Vehicles	2,794,919	244,168	-	3,039,087
Total capital assets being depreciated	74,955,022	2,503,496	-	77,458,518
Less accumulated depreciation for:				
Infrastructure:				
Streets and roadways	(30,676,616)	(700,902)	-	(31,377,518)
Storm drain system	(2,454,312)	(71,366)	-	(2,525,678)
Building and Improvements	(3,039,109)	(292,841)	-	(3,331,950)
Improvements other than buildings	(2,213,175)	(377,810)	-	(2,590,985)
Furniture, Fixtures and Equipment	(1,824,029)	(90,926)	-	(1,914,955)
Vehicles	(1,401,436)	(201,444)	-	(1,602,880)
Total accumulated depreciation	(41,608,677)	(1,735,289)	-	(43,343,966)
Total capital assets, being depreciated, net	33,346,345	768,207	-	34,114,552
Governmental activities capital assets, net	\$ 48,800,366	\$ 8,535,746	\$ (2,138,448)	\$ 55,197,664

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

5. CAPITAL ASSETS, Continued

	Balance as of June 30, 2018	Additions	Deletions	Balance at June 30, 2019
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 5,263,674	\$ -	\$ -	\$ 5,263,674
Construction in Progress	3,842,482	5,112	(3,807,249)	40,346
Total capital assets not being depreciated	9,106,156	5,112	(3,807,249)	5,304,020
Capital assets being depreciated:				
Improments other than buildings	7,057,659	3,807,249	-	10,864,908
Total capital assets being depreciated	7,057,659	3,807,249	-	10,864,908
Less accumulated depreciation for:				
Improvements other than building	(4,301,979)	(201,995)	-	(4,503,974)
Total accumulated depreciation	(4,301,979)	(201,995)	-	(4,503,974)
Total capital assets, being depreciated, net	2,755,680	3,605,254	-	6,360,934
Business-type activities capital assets, net	\$ 11,861,836	\$ 3,610,366	\$ (3,807,249)	\$ 11,664,954

A. Capital Asset Contributions

Some capital assets may be acquired using federal and State grant funds, or they may be contributed by developers or other governments. GASB Statement 34 requires that these contributions be accounted for as revenues at the time the capital assets are contributed.

B. Depreciation Allocation

Depreciation expense is charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or programs are as follows:

Governmental Activities:

General Government	\$ 21,004
Public Safety	176,011
Culture and Recreation	570,901
Public Works	931,973
Community Development	35,400
Total Governmental Activities	\$ 1,735,289

Business-Type Activities:

Water Service	\$ 201,995
Total Business-Type Activities	\$ 201,995

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

5. CAPITAL ASSETS, Continued

C. Capital Project Commitments

The City has commitments under the following significant capital, infrastructure and other projects and programs.

Project	Project Authorization	Expended through June 30, 2019	Committed
Bay Road Roadway + Downstream	\$ 4,063,370	\$ 2,823,656	\$ 1,239,714
Highway 101 Pedestrian-Bicycle Overcrossing	13,350,960	12,665,658	685,302
University Avenue Interchange	1,082,089	939,114	142,975
Cooley Landing Park	7,128,320	5,962,213	1,166,107
Second Ground Water Well	942,570	756,292	186,278
RV Safe Parking	226,100	111,192	114,908
Annual Street Project	1,717,680	-	1,717,680
Safe Route to School	187,080	-	187,080
Safer Bay - Flood Control	5,500,000	-	5,500,000
	<u>\$ 34,198,169</u>	<u>\$ 23,258,125</u>	<u>\$ 10,940,044</u>

6. LONG-TERM DEBT

The City's debt issues and transactions are summarized below and discussed in detail thereafter:

	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Current Portion
Governmental Activities:					
2015 Capital Lease - 2 Police Vehicles 3.25% due 12/23/18	16,085	-	16,085	-	-
Total	<u>\$ 16,085</u>	<u>\$ -</u>	<u>\$ 16,085</u>	<u>\$ -</u>	<u>\$ -</u>
	Balance June 30, 2018	Additions	Retirements	Balance June 30, 2019	Current Portion
Business-type Activities:					
San Mateo County Housing Promissory Note	700,000	-	-	700,000	23,333
Total	<u>\$ 700,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 700,000</u>	<u>\$ 23,333</u>

A. 2015 Capital Lease

In December 2014, the City entered into a five-year vehicle lease purchase agreement with PNC Equipment Finance LLC in an amount not to exceed \$121,666 at an interest rate of 3.25% and due December 2018. Under the terms of the lease the City exercised an option to purchase the vehicles. Lease payments are made exclusively from legally available funds.

B. San Mateo County Housing Promissory Note

In March 2018, the City entered into an agreement with the County of San Mateo Department of Housing (the County) whereby the County awarded a Community Development Block Grant (CDBG) Program assistance loan in the amount of \$700,000 for the Gloria Way Well Rehabilitation project (the Project).

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

6. LONG-TERM DEBT, Continued

B. San Mateo County Housing Promissory Note, Continued

Annual principal of \$23,333 is forgiven upon each full year of operation, or each October 30th, provided the Project remains in compliance with CDBG Program requirements and the use is as originally intended. The Note bears zero interest if the intended use requirements are met throughout the Note term and matures on October 30, 2048. If the Gloria Way Well property is sold or discontinued as a City water treatment well before the end of the Note term (unless to a non-profit for the same use); then the entire Note amount plus three percent (3%) accrued simple interest is due and payable to the County.

C. Legal Debt Margin

The City is subject to a statutory legal debt limit whereby the City may not incur indebtedness for public improvements which exceeds in the aggregate 15 percent of the assessed value of all real and personal property of the City. This limit applies only to bonded indebtedness payable from the proceeds of taxes levied on taxable property. For the year ended June 30, 2019, the City's maximum legal debt margin was \$75,168,036 and the City had no outstanding debt subject to the margin.

7. OPERATING LEASES

The City leases four major building facility sites under non-cancellable operating leases. The sites leased include two police facilities, the maintenance corporation yard, and City Hall offices. Total costs for such leases were \$647,353 for governmental activities and \$40,292 for business-type activities for the fiscal year ended June 30, 2019. The future minimum lease payments for these leases are as follows:

Fiscal year ending June 30:	
2020	\$ 718,441
2021	748,693
2022	788,513
2023	823,756
2024 and after	1,495,009
	<u>\$ 4,574,412</u>

8. COMPENSATED ABSENCES

Compensated absences comprise of unpaid vacation and are accrued as earned. The City's liability for compensated absences is recorded in various governmental funds. The liability for compensated absences is determined annually. Compensated absences are reported in governmental funds only if they have matured. The matured portion of governmental activities compensated absences is liquidated primarily by the General Fund.

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due Within One Year	Due in More Than One Year
Governmental Activities						
Compensated Leave Payable	\$ 767,239	\$ 1,000,083	\$ (945,242)	\$ 822,080	\$ 196,346	\$ 625,734

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

9. FUND BALANCES

Detailed classifications of the City's Fund Balances, as of June 30, 2019, are below:

	Major Governmental Funds					Total
	General Fund	Public Improvements in Lieu Special Revenue Fund	Housing in-lieu Special Revenue Fund	Capital Improvements Capital Projects Fund	Other Government Funds	
Fund Balances						
Nonspendable fund balance:						
Loans to Successor Agency	\$ 10,406,134	\$ -	\$ -	\$ -	\$ -	\$ 10,406,134
Advance to other funds	470,000	-	-	-	-	470,000
Deposits and prepayments	62,737	-	-	-	-	62,737
	<u>10,938,871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,938,871</u>
Restricted fund balance for:						
Low and Moderate						
Income Housing	-	-	-	-	8,384,018	8,384,018
Gas Tax	-	-	-	-	3,600,326	3,600,326
NPDES Fees	-	-	-	-	54,645	54,645
Federal and State						
Law Enforcement	-	-	-	-	214,262	214,262
Park in Lieu	-	-	-	-	340,827	340,827
Rent Stabilization	-	-	-	-	875,920	875,920
Housing in Lieu	-	-	9,588,205	-	-	9,588,205
Housing Assistance	-	-	-	-	462,638	462,638
Public Improvement in Lieu	-	311,891	-	-	-	311,891
Measure A	-	-	-	-	3,133,398	3,133,398
CYSFF Children/Youth/ Seniors/Family	-	-	-	-	879,046	879,046
Lighting District	-	-	-	-	2,800,699	2,800,699
Drainage District	-	-	-	-	296,402	296,402
Measure C	-	-	-	-	592,734	592,734
Capital projects	-	-	-	9,504,241	-	9,504,241
Silicon Calley	-	-	-	-	2,358,403	2,358,403
Other Purposes	-	-	-	-	429,144	429,144
	<u>-</u>	<u>311,891</u>	<u>9,588,205</u>	<u>9,504,241</u>	<u>24,422,462</u>	<u>43,826,799</u>
Assigned fund balance for:						
Capital projects	-	-	-	7,874,189	-	7,874,189
Other Purposes	1,839,551	-	-	-	-	1,839,551
	<u>1,839,551</u>	<u>-</u>	<u>-</u>	<u>7,874,189</u>	<u>-</u>	<u>9,713,740</u>
Unassigned fund balance						
Minimum fund balance reserve	3,750,000	-	-	-	-	3,750,000
Community benefits reserve	249,770	-	-	-	-	249,770
Information Technology Reserve	1,909,460	-	-	-	-	1,909,460
Vehicles and Equipment Reserve	1,042,729	-	-	-	-	1,042,729
Self Insurance Reserve	2,197,985	-	-	-	-	2,197,985
Other	17,276,204	-	-	-	-	17,276,204
	<u>26,426,148</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,426,148</u>
Total Fund Balances	<u>\$ 39,204,570</u>	<u>\$ 311,891</u>	<u>\$ 9,588,205</u>	<u>\$ 17,378,430</u>	<u>\$ 24,422,462</u>	<u>\$ 90,905,558</u>

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

9. FUND BALANCES, Continued

Encumbrance balances by major funds and non-major funds as of June 30, 2019 are:

	Major Funds				TOTAL
	Capital			Non-Major Funds	
	General Fund	Improvement Fund	Housing in Lieu Fund		
Construction	\$ -	\$ 1,226,830	\$ -	\$ 1,591,246	\$ 2,818,076
Materials and Equipment	81,898	-	-	-	81,898
Services	1,757,653	-	53,030	974,516	2,785,199
	<u>\$ 1,839,551</u>	<u>\$ 1,226,830</u>	<u>\$ 53,030</u>	<u>\$ 2,565,762</u>	<u>\$ 5,685,173</u>

10. RETIREMENT BENEFITS

A. City Employees' Retirement Plan (Defined Benefit Pension Plan)

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Plan) administered by the California Public Employees' Retirement System (CalPERS). The Plan consists of individual rate plans (benefit tiers) within a safety risk pool (police and fire) and a miscellaneous risk pool (all other). Plan assets may be used to pay benefits for any employer rate plan of the safety and miscellaneous risk pools. Accordingly, rate plans within the safety or miscellaneous pools are not separate plans under GASB Statement No. 68. Individual employers may sponsor more than one rate plan in the miscellaneous or safety risk pools. The City sponsors four rate plans (two miscellaneous and two safety).

Benefit provisions under the Plan are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

10. RETIREMENT BENEFITS, Continued

A. City Employees' Retirement Plan (Defined Benefit Pension Plan), Continued

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: Basic Death Benefit, 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The City contracted for 2% cost of living adjustments.

The rate plan provisions and benefits in effect at June 30, 2019 are summarized as follows:

	<u>Safety</u>	<u>Miscellaneous</u>
	Prior to January 1, 2013	Prior to January 1, 2013
Hire Date	5 years service	5 years service
Benefit vesting schedule	3.0% @ 55	2.5% @ 55
Benefit Formula	Monthly for life	Monthly for life
Benefit payment	50	50
Retirement age	2.4 - 3%	2 - 2.5%
Monthly benefits, as a % of annual salary	9.00%	8.000%
Required employee contribution rates	17.614%	10.022%
Required employer contribution rates	\$466,616	\$267,908
Required unfunded accrued liability payment (UAL)		

	<u>Safety</u>	<u>Miscellaneous</u>
	On or after January 1, 2013	On or after January 1, 2013
Hire Date	5 years service	5 years service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	57	62
Retirement age	2.70%	2.00%
Monthly benefits, as a % of annual salary	11.500%	6.250%
Required employee contribution rates	12.141%	6.842%
Required employer contribution rates	\$4,600	\$7,562
Required unfunded accrued liability payment (UAL)		

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the Plan is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the measurement period ended June 30, 2019, the contribution to the plan was \$1,812,899, consisting of \$1,053,459 Safety and \$759,440 Miscellaneous.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

10. RETIREMENT BENEFITS, Continued

A. City Employees' Retirement Plan (Defined Benefit Pension Plan), Continued

Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2019, the City reported a net pension liability for its proportionate share of the net pension liability of the Plan of \$10,642,902.

The City's net pension liability for the Plan is measured as the proportionate share of the total net pension liability of the Plan. The net pension liability of the Plans is measured as of June 30, 2018, and the total pension liability for the Plan used to calculate the net pension liability was determined by actuarial valuations as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The City's proportionate of the net pension liability was based on the City's plan liability and asset-related information where available, and proportional allocations of individual plan amounts as of the valuation date where not available.

The City's proportionate share of the net pension liability for the Plan as of measurement date June 30, 2017 and 2018 were as follows:

Proportion - June 30, 2017	0.109441%
Proportion - June 30, 2018	<u>0.110450%</u>
Change - Increase (Decrease)	<u><u>0.001009%</u></u>

For the year ended June 30, 2019, the City recognized pension expense of \$2,708,974. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Pension contributions subsequent to measurement date	\$ 1,812,899	\$ -
Changes of assumptions	1,108,060	199,941
Differences between expected and actual experience	251,656	8,151
Changes in employer's proportion	372,687	145,937
Differences between the employer's contribution and the employer's proportionate share of contributions	608,227	-
Net differences between projected and actual earnings on plan investments	64,720	-
Total	<u><u>\$ 4,218,249</u></u>	<u><u>\$ 354,029</u></u>

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

10. RETIREMENT BENEFITS, Continued

A. City Employees' Retirement Plan (Defined Benefit Pension Plan), Continued

Pension contributions subsequent to the measurement date in the amount of \$1,812,899 and reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30:	Deferred Outflows/(Inflows) of Resources
2020	\$ 1,420,193
2021	942,070
2022	(228,919)
2023	(82,024)

Actuarial Assumptions – The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Projected Salary Increase	Varies by entry age and service
Investment Rate of Return ⁽¹⁾	7.15%
Mortality	Derived by CalPERS membership data for all funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

(1) Net of pension plan Administrative expenses, including inflation

Demographic assumptions and inflation rate were changed in accordance with the CalPERS Experience Study and Demographic Assumptions, December 2017. The inflation rate was reduced from 2.75 percent to 2.625 percent for the actuarial valuation period ending June 30, 2017. The underlying mortality table and all other actuarial assumptions used in the June 30, 2017 valuations were based on the results of an actuarial experience study for the period 1997 to 2015, including updates to salary increase, mortality, and retirement rates. Further details of the Experience Study are available on the CalPERS website.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

10. RETIREMENT BENEFITS, Continued

A. City Employees' Retirement Plan (Defined Benefit Pension Plan), Continued

Discount Rate - The discount rate used to measure the total pension liability was 7.15% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the Plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS considered both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class ⁽¹⁾	New Strategic Allocation	Real Return Years 1 - 10 ⁽²⁾	Real Return Years 11+ ⁽³⁾
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	100%		

(1) In the System's CAFR, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

(2) An expected inflation of 2.00% used for this period.

(3) An expected inflation of 2.92% used for this period.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

10. RETIREMENT BENEFITS, Continued

A. City Employees' Retirement Plan (Defined Benefit Pension Plan), Continued

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

1% Decrease		6.15%
Net Pension Liability	\$	16,493,666
Current Discount Rate		7.15%
Net Pension Liability	\$	10,642,902
1% Increase		8.15%
Net Pension Liability	\$	5,833,648

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

Payable to the Pension Plan

At June 30, 2019 the City reported a payable of \$42,258 for outstanding amount of contributions to the pension plan required for the year ended June 30, 2019. All amounts were paid in July 2019 in a timely manner.

B. Deferred Compensation Plan

City employees may defer a portion of their compensation under optional City-sponsored deferred compensation plans created in accordance with Internal Revenue Code Sections 401 (k) and 457. The 401 (k) plan is closed to new employees. Under the plans, participants are not taxed on the deferred portion of their compensation until distributed to them; distributions may be made only at termination, retirement, death, or in an emergency defined by governing documents of the plans. The City does not make contributions to the plans on behalf of the employees.

The laws governing deferred compensation plan assets require plan assets to be held by a Trust for the exclusive benefit of plan participants and their beneficiaries. The City has contracts with various outside third-party administrators to manage and invest the assets of the plans. Since the assets held under these plans are not the City's property and are not subject to City control, they have been excluded for reporting purposes.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

11. RISK MANAGEMENT

A. Insurance Coverage

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City participates in the Plan Liability Assurance Network (PLAN), a joint powers authority established to provide liability insurance coverage, claims and risk management, and legal defense to its participating members. PLAN covers general and auto liability claims in an amount up to \$5 million, and property liability claims up to \$100,000 per occurrence. The City has a deductible or uninsured liability of up to \$100,000 per liability claim and \$5,000 per property claim. Once the City's deductible is met, PLAN becomes responsible for payment of all claims up to the limit. PLAN also purchases special excess and excess insurance policies over PLAN limits up to \$25,000,000 in general liability coverage and provides for replacement cost of property claims, providing a total of \$30,000,000 per occurrence, subject to the terms of the policies. The total coverage with respect to Employee Benefit Plan Administration Liability is limited to \$250,000 per occurrence.

The State Compensation Insurance Fund provides workers' compensation insurance with a \$1 million per occurrence coverage. The City has no deductible for the worker's compensation insurance.

Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Claim liabilities are actuarially determined considering recent claim settlement trends including the frequency and costs of payouts and other economic and social factors.

B. Liability for Uninsured Claims

The City provides for the uninsured portion of claims and judgments in the Workers' Compensation and General Liability. Claims and judgments, including a provision for claims incurred but not reported, are recorded when a loss is deemed probable of assertion and the amount of the loss is reasonably determinable. As discussed above, the City has coverage for such claims, but it has retained the risk for the deductible or uninsured portion of these claims.

The City's liability for uninsured claims including a provision for claims incurred but not reported was computed as follows based on claims experience for the years ended June 30, 2017, 2018, and 2019:

	2017	2018	2019
Beginning balance of claims payable	\$ 45,000	\$ 227,000	\$ 195,000
Increase/Decrease in estimated claims liability	209,345	(15,022)	68,000
Claims paid	(27,345)	(16,978)	-
Ending balance of claims payable	<u>\$ 227,000</u>	<u>\$ 195,000</u>	<u>\$ 263,000</u>
Current Portion	<u>\$ 34,050</u>	<u>\$ 29,250</u>	<u>\$ 39,450</u>

During the past three fiscal years none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from the prior year.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

12. JOINT VENTURES

The City participates in the joint ventures discussed below through formally organized and separate entities established under the Joint Exercise of Powers Act of the State of California. As separate legal entities, these entities exercise full powers and authorities within the scope of the related Joint Powers Agreements; including, the preparation of annual budgets, accountability for all funds, the power to make and execute contracts and the right to sue and be sued. Each joint venture is governed by a board consisting of representatives from member municipalities. Each board controls the operations of the respective joint venture, including selection of management and approval of operating budgets, independent of any influence by member municipalities beyond their representation on that Board. Obligations and liabilities of these joint ventures are not the City's responsibility and the City does not have an equity interest in the assets of each joint venture except upon dissolution of the joint venture.

A. *South Bayside Waste Management Authority*

The City is one of twelve members of the South Bayside Waste Management Authority (SBWMA), which is a joint powers agreement that the City commenced on March 1, 2000. The SBWMA was formed in 1982 to provide cost-effective waste reduction, recycling, and solid waste programs to member agencies in order to meet and sustain a minimum 50% diversion of waste from landfill as mandated by California State Law, AB939. SBWMA owns the Shoreway Environmental Center which serves as a regional solid waste and recycling facility and is operated by South Bay Recycling (SBR) on behalf of the SBWMA. The City has no equity interest in SBWMA. Through the operation of franchise agreements with each member, RECOLOGY collects fees charged for the use of the facilities and remits them to the SBWMA. Pursuant to an Operations Agreement with the SBWMA, RECOLOGY is compensated based on costs, a provision for profit and incentives for cost savings and performance. Financial statements may be obtained by mailing a request to 610 Elm Street, Suite 202, San Carlos, CA 94070.

B. *San Francisquito Creek Joint Powers Authority*

The City is one of five members of the San Francisquito Creek Joint Powers Authority (SFCJPA) formed in 1999 to manage and provide policy direction related to flood control measures, emergency response, stabilization and maintenance, and other environmental issues regarding the San Francisquito Creek. The City has no equity interest in the SFCJPA. For the year ended June 30, 2019, the City contributed \$182,000 for annual SFCJPA administrative operations, and contributed \$420,000 for completion of a flood control project. Financial statements may be obtained by mailing a request to 615B Menlo Avenue, Menlo Park, CA 94025.

C. *City/County Association of Governments of San Mateo County (C/CAG)*

The City/County Association of Governments of San Mateo County is a joint powers agency formed in 1990 between the various cities and transportation agencies in San Mateo County to prepare, adopt, monitor and enforce state mandated plans related to transportation, airport land use, storm water pollution prevention, and climate protection. The City's contribution to C/CAG was \$83,425 for the year ended June 30, 2019. An annual report may be obtained at 555 County Center 5th Floor, Redwood City, CA 94063.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

13. SERVICE CONCESSION ARRANGEMENT FOR WATER SERVICES

A. Lease Agreement with American Water Service, Inc.

In April 2001, the City entered into a twenty-five (25) year lease agreement with American Water Services, Inc. (American Water) whereby the City agreed to lease the water system to American Water for the purpose of furnishing potable water service and water service fire protection to all customers within the City's water service area. American Water is responsible for operating, maintaining and managing the water system, as well as fulfilling customer services, emergency services, water quality testing, and other service operations related to the water system. If total annual system maintenance and repair costs exceed \$110,000, the excess costs are considered system improvements and paid through additional capital charges. American Water bills and collects water services charges, capital surcharges, and utility tax from the City's water customers. Utility users' tax and capital-related surcharges billed and collected by American Water are passed-through to the City.

American Water may request water rate relief from the City in order to recover necessary and reasonable costs related to performing the water system services, including earning an operational rate of return of eight percent (8%) after-tax on defined, contractual gross revenues. The City agrees to enact water rates based upon such requirements and in accordance with applicable State Law regarding water rate increases. Any fees or taxes billed and passed through to the City are not considered contractual gross revenues of the water system operation. Contractual gross revenues, as defined, for the year ended June 30, 2019 total approximately \$4.7 million.

The City has retained title of the Water System and related capital assets under the terms of the lease. Title for system improvements performed by American Water immediately vests with the City. American Water may not retire, sell, transfer; convey, or encumber any real property or personal property of the Water System without the prior written consent of City. The City is not obligated to pay any costs or expense in connection with or related to the management, operation, improvement, repair or maintenance of the water system during the lease term, except for costs related to environmental liabilities. The City currently has undertaken certain system improvements, such as acquiring permanent water rights and constructing the Gloria Way Well Rehabilitation project which are funded from grants, system impact fees, and water capital surcharges. For the fiscal year ended June 30, 2019, water system assets total \$11,664,954 net of depreciation.

In consideration for the lease of the water system assets, American Water agrees to pay the City a monthly lease payment equal to 6% and a monthly franchise fee equal to 5% of the annual gross revenues generated by the water system. For the year ended June 30, 2019, American Water paid lease payments and franchise fees to the City in the amount of \$329,135 and \$274,279, respectively. Further, for the year ended June 30, 2019, the City reported passed-through utility taxes and capital-related surcharges of \$264,706 and \$842,675, respectively.

14. CONTINGENT LIABILITIES AND COMMITMENTS

A. Contingent Liabilities

The City is subject to litigation arising in the normal course of operations. In the opinion of the City Attorney there is no pending litigation which is likely to have a material adverse effect on the financial position of the City.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

14. CONTINGENT LIABILITIES AND COMMITMENTS, Continued

A. Contingent Liabilities, Continued

The City has received federal and state grants for specific purposes that are subject to reviews by the grantor agencies. Such reviews could lead to requests for reimbursements to the grantor agency for expenditures disallowed under the terms of the grant. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time, although City expects such amounts, if any, to be immaterial.

B. California State Water Resources Control Board Corrective Action Plan

On April 21, 2015 the City, along with several other regional water system (RWS) customers of the San Francisco Public Utilities Commission (SFPUC), was cited by the State Water Resources Control Board (SWRCB) for not providing multi-barrier treatment to raw surface water. This citation was due to an incident occurring in March of 2015, whereby untreated water was inadvertently allowed to flow into the RWS. The incident did not result in any adverse effects; however, the SWRCB citation directed that the City prepare a Corrective Action Plan. The CAP includes several corrective actions developed to prevent another similar incident.

On August 15, 2015 the SWRCB acknowledged the City's Corrective Action Plan (CAP) whereby the City will take steps to ensure the water supply and/or storage of water is safe and sustainable in the event SFPUC water becomes unavailable. The critical elements of the CAP are the new groundwater wells, the construction of water system interties, and the construction of storage tanks over an estimated period of seven (7) years. However, the CAP recognizes that the timing for the construction of the storage tanks is less certain due to the prioritization of the groundwater wells, staffing limitations and complexities securing site control. The highest priority water system improvements have estimated costs of roughly \$15.5 million. The City enacted a capital improvement surcharge, contributed general and community benefit funds to the water system, and has secured grant funding for the ground water wells. As of June 30, 2019, the City had completed the renovation of Gloria Way Well and has capital water reserves of approximately \$4.5 million.

C. Water Rights Acquisition and Related Agreements

Water Supply Implementation Agreement (WSIA)

On August 9, 2016, the City entered into a water supply implementation agreement with 2020 Bay Road LLC, the Primary School LLC, and the Sobrato Organization LLC (collectively "developers") in order to accelerate the City's efforts to provide adequate water supply for potential future development sites. In the event a developer site is connected to the City's water system, any payments made by the developer under the WSIA will be credited against adopted water capacity charges related to the costs of expanding or acquiring additional water capacity. As of June 30, 2019, developers had advanced funds of approximately \$242,365.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

14. CONTINGENT LIABILITIES AND COMMITMENTS, Continued

C. Water Rights Acquisition and Related Agreements, Continued

Water Rights Acquisition Agreements

Effective August 4, 2018, the City entered into an agreement with the City of Mountain View to transfer all right, title, and interest to 1,000,000 gallon per day (1 MGD) of its guaranteed water supply (ISG) under the City and County of San Francisco Water Supply Agreement. The acquisition price of \$5,000,000 was funded from the following sources:

Silicon Valley Community Foundation (SVCF) Gift Agreement/Inter-Fund Advance \$2.0 Million- In June 2017, the City entered into a gift agreement with the SVCF for \$2.5 million whereby the gift is restricted for the purpose of incentivizing the development of affordable housing within the City. Up to \$2,000,000 was authorized and utilized for an inter-fund advance to acquire permanent water rights. The advance is to be repaid upon the receipt of related water capacity charge or related impact or charge imposed by the City. The remaining funds are restricted to fund not less than \$500,000 for an affordable housing manager over a minimum period of five years. As of June 30, 201, the inter-fund advance of \$2.0 million remained outstanding.

Amendment to Water Supply Implementation Agreement \$1.53 Million - The City approved an amendment to the Water Supply Implementation Agreement (Amended WSIA) in order establish terms for payment of the attributed share of the costs of the permanent water rights transfer. Under the terms of the amendment; 2020 Bay Road LLC, the Primary School LLC, and the Sobrato Organization LLC (collectively “developers”) agreed to advance a collective total of \$1.53 million as the developers’ attributed share of the cost of the water rights transfer. For a period of eight (8) years after the effective date of the water rights transfer, if entitlement for a developer site is approved in accordance with the City’s laws and policies, any payments made under the Amended WSIA will be credited against a water capacity charge or related impact or buy-in charge imposed by the City. As of June 30, 2019, the Primary School project was approved, and WSIA credits will be applied upon issuance of building permits.

Sobrato Organization LLC Reimbursement Agreement \$1.0 Million - The City approved a reimbursement agreement (Agreement) with the Sobrato Organization LLC (Sobrato) to provide funds in the amount of \$1,000,000 for the purpose of facilitating the permanent water rights transfer. Reimbursement of the funds advanced will be made solely from capacity charges established by the City, as allowed, to cover the entire cost the water rights transfer and charged for new or expanded water connections to its water system. The Agreement expires upon the earlier of the date of full reimbursement of the advance or August 4, 2037 (twenty years from Agreement effective date). Upon expiration, the City’s commitments under the agreement terminate.

General Fund Inter-Fund Advance \$0.47 Million - The City approved a long-term inter-fund advance to the Water Service Enterprise Fund for purpose of facilitating the permanent water rights transfer. Reimbursement of the funds advanced will be made solely from capacity charges established by the City, as allowed, to cover the entire cost the water rights transfer and charged for new or expanded water connections to its water system.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

14. CONTINGENT LIABILITIES AND COMMITMENTS, Continued

D. Affordable Housing and Sustainable Communities Grant Commitments

On June 21, 2019, the City received a jointly submitted grant award of \$20 million in partnership with Eden Housing, EPA CAN DO, the San Mateo County Transit District (SamTrans). The grant funding consists of \$13.5 million in loans for affordable housing development, and \$6.5 million for transit and infrastructure improvements. Under the terms of the grant award, applicants are held jointly and severally liable to provide accountability and ensure the full scope of the project application is implemented. The City intends to enter into cooperation and indemnification agreements with the grant co-applicants in order to mitigate risks among the parties. Of the \$20 million, the City is responsible for completing \$3.75 million in sustainable transportation infrastructure, and transit-related amenities in a timely manner.

15. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES

A. Redevelopment Dissolution

On June 28, 2011 the State of California adopted ABx1 26 (AB 26) which, in Late December 2011, was upheld by the California Supreme Court to be largely constitutional. This action, together with AB 1484 enacted on June 27, 2012, are referred to as "Dissolution Law" as related to former redevelopment agencies. Under the existing Dissolution Laws, California redevelopment agencies were dissolved as of February 1, 2012 and cannot enter into new projects, obligations or commitments. Beginning in February 2012, Successor Agencies, together with other designated entities, initiated the process under AB 26 to unwind the affairs of the dissolved agencies. This action impacted the reporting entity of the City of East Palo Alto in that the City had previously reported a redevelopment agency (former Agency) as a blended component unit of the City.

On January 10, 2012, the City Council elected to serve as the Successor Agency to the former Agency whereby the Successor Agency holds assets, reports obligations, and otherwise oversees the wind-down of the affairs of the former Agency as dictated by the Dissolution Laws and subject to control and approval of an established Oversight Board and the California Department of Finance.

Furthermore, on January 10, 2012, the City also elected to serve as the former Agency's Housing Successor and retain the housing assets of the former Agency. On February 1, 2012 certain housing assets were transferred to the City's Housing Successor Special Revenue Fund.

Since February 1, 2012, the Successor Agency has complied with existing Dissolution Laws, including completing a due diligence review, obtaining a finding of completion, obtaining approval of the long-range property management plan, completing timely reporting of recognized obligation schedules. The Successor Agency continues to conduct the fiduciary activities of the Dissolution Laws until such time the affairs and obligations of the former Agency are complete.

Cash and investments of the Successor Agency as of June 30, 2019 are discussed in Note 2. Information presented in the following footnotes represents other assets and liabilities of the Successor Agency as of June 30, 2019.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

15. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES, Continued

B. Long-Term Debt

The Successor Agency's debt issues and transactions are summarized below and discussed in detail thereafter.

	Issue Amount	Balance June 30, 2018	Retirements	Discount/ Premium Amortization	Balance at June 30, 2019	Due within one year
Successor Agency						
2015 Tax Allocation Refunding Bonds						
Series A						
3.625%-4% due 10/1/2032	\$ 16,950,000	\$ 17,499,708	\$ 45,000	\$ (159,252)	\$ 17,295,456	\$ 900,000
2015 Tax Allocation Refunding Bonds						
Series B						
1.25%-2% due 10/1/2018	2,500,000	839,583	840,000	417	-	-
Total Successor Agency	<u>\$ 19,450,000</u>	<u>\$ 18,339,291</u>	<u>\$ 885,000</u>	<u>\$ (158,835)</u>	<u>\$ 17,295,456</u>	<u>\$ 900,000</u>

2015 Tax Allocation Refunding Bonds

On September 1, 2015, the Successor Agency issued \$16,950,000 Tax Allocation Refunding Bonds, Series 2015A and \$2,500,000 Taxable Tax Allocation Refunding Bonds, Series 2015B. The bonds were issued to refund the 1999 Tax Allocation Bonds, the 2003 Series A Bonds, and the 2003 Series B Bonds. Certain proceeds of the refunding bonds were subsequently used to call the East Palo Alto Public Financing Authority 2005 Revenue Bonds on October 1, 2015. The economic gain on refunding of these bonds was \$2,560,798.

Series 2015A Refunding Bonds

The 2015A Refunding Bonds mature annually starting October 1, 2018 through 2032, with installments ranging from \$45,000 to \$1,515,000. The interest on the 2015A Refunding Bonds is payable semi-annually on each April 1 and October 1, with coupon rates ranging from 3.00% to 5.00%. The 2015A Refunding Bonds are subject to early redemption.

City of East Palo Alto
Notes to Basic Financial Statements
For the year ended June 30, 2019

15. REDEVELOPMENT AGENCY DISSOLUTION AND SUCCESSOR AGENCY ACTIVITIES, Continued

B. Long-Term Debt, Continued

The annual debt service requirements of the Series 2015A bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 900,000	\$ 659,550	\$ 1,559,550
2021	935,000	618,175	1,553,175
2022	975,000	570,425	1,545,425
2023	1,030,000	520,300	1,550,300
2024	1,085,000	467,425	1,552,425
2025-2029	6,205,000	1,470,519	7,769,075
2030-2033	5,775,000	422,914	7,748,582
Subtotal	16,905,000	<u>\$ 4,729,308</u>	<u>\$ 23,278,532</u>
Bond Premium	390,456		
Total	<u>\$ 17,295,456</u>		

Pledged Revenues

The 2015 Tax Allocation Refunding Bonds of the Successor Agency are payable solely from and secured by tax revenues deposited into Redevelopment Property Tax Trust Fund. Principal and interest on the Series 2015A bonds are guaranteed under an insurance policy.

C. Deferred Inflows of Resources

The Successor Agency recorded the following item as deferred inflows of resources as of June 30, 2019.

	Balance July 1, 2018	Additions	Retirements	Balance June 30, 2019
2015 Tax Allocation Refunding Bonds - gain on refunding	\$ 330,012	\$ -	\$ (53,361)	\$ 276,651
Total	<u>\$ 330,012</u>	<u>\$ -</u>	<u>\$ (53,361)</u>	<u>\$ 276,651</u>

16. RELATED PARTY TRANSACTIONS

In 2004, the City authorized a First Time Homebuyer Program whereby the City offers first time homebuyers financial assistance in the purchase of a home within East Palo Alto. The loans bear an interest rate of 3% and are secured by deeds of trust on the property. As of June 30, 2019, one Council Member had a loan due to the City in the amount of \$19,019.

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REQUIRED SUPPLEMENTARY INFORMATION

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City of East Palo Alto
Notes to Required Supplementary Information
For the year ended June 30, 2019

1. BUDGETS AND BUDGETARY ACCOUNTING

A. Budgetary Procedures

The City adopts a budget annually for all governmental fund types, except for capital projects. This budget is effective July 1 for the ensuing fiscal year. From the effective date of the budget, which is adopted at the fund level, the amounts stated therein as proposed expenditures become appropriations to the various City departments. The legal level of budgetary control is the fund level. The City Council may amend the budget by resolution during the fiscal year. The City Manager has the authority to make adjustments to the operating budget between departments within the same fund. Transfers of operating budgets between funds, use of unappropriated fund balances, and significant changes in capital improvement project budgets require the approval of the City Council.

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States except for Housing Assistance and Public Improvements in Lieu Special Revenue Funds; and Capital Improvements Capital Projects Fund which are adopted on a project length basis.

B. Encumbrances

The City uses an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to set aside that portion of the applicable appropriation. Encumbrance accounting is employed as an extension of formal budgetary integration in all budgeted funds. Encumbrances outstanding at year end are reappropriated in the following year. Unexpended appropriations lapse at year end and must be reappropriated in the following year.

City of East Palo Alto
Required Supplementary Information
For the year ended June 30, 2019

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

C. Budgetary Comparison Schedules

Budgetary Comparison Schedule, General Fund

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 13,765,000	\$ 14,977,100	\$ 15,644,913	\$ 667,813
Sales taxes	5,500,000	5,800,000	5,976,158	176,158
Transient occupancy tax	2,475,000	2,350,000	2,392,271	42,271
Utility users tax	1,520,000	1,540,000	1,537,991	(2,009)
Other taxes	15,000	15,000	14,840	(160)
Licenses, fees and permits	2,590,000	2,675,000	2,816,522	141,522
Charges for services	1,731,000	1,483,000	1,190,264	(292,736)
Fines and forfeitures	465,000	390,000	421,661	31,661
Use of money and property	345,000	675,000	960,735	285,735
Grants and intergovernmental	35,000	70,000	80,363	10,363
Miscellaneous	19,000	332,080	378,234	46,154
Total revenues	28,460,000	30,307,180	31,413,952	1,106,772
EXPENDITURES:				
Current:				
General government	5,846,180	5,397,815	4,017,504	1,380,311
Public safety	11,634,510	11,731,085	11,119,065	612,020
Public works	3,647,110	3,682,060	3,102,784	579,276
Culture and recreation	589,000	780,475	502,326	278,149
Community development	4,135,650	3,486,890	2,635,029	851,861
Capital outlay	1,000,000	-	-	-
Debt service:				
Principal	-	-	16,085	(16,085)
Interest, and fiscal charges	-	-	154	(154)
Total expenditures	26,852,450	25,078,325	21,392,947	3,685,378
REVENUES OVER (UNDER) EXPENDITURES	1,607,550	5,228,855	10,021,005	4,792,150
OTHER FINANCING SOURCES (USES):				
Transfer out	(1,813,190)	(8,637,770)	(8,637,770)	-
Total other financing sources (uses)	(1,813,190)	(8,637,770)	(8,637,770)	-
Net change in fund balance	\$ (205,640)	\$ (3,408,915)	1,383,235	\$ 4,792,150
FUND BALANCE:				
Beginning of year			37,821,335	
End of year			<u>\$ 39,204,570</u>	

City of East Palo Alto
Required Supplementary Information, Continued
For the year ended June 30, 2019

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

C. Budgetary Comparison Schedules, Continued

Budgetary Comparison Schedule, Public Improvements in Lieu Special Revenue Fund

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 30,000	\$ 30,000	\$ 47,930	\$ 17,930
Use of money and property	3,000	7,500	10,233	2,733
Total revenues	33,000	37,500	58,163	20,663
EXPENDITURES:				
Current:				
General government	-	-	20,821	(20,821)
Community development	-	11,950	31,185	(19,235)
Capital outlay	-	58,260	52,848	5,412
Total expenditures	-	70,210	104,854	(34,644)
Net change in fund balance	\$ 33,000	\$ (32,710)	(46,691)	\$ (13,981)
FUND BALANCE:				
Beginning of year			358,582	
End of year			\$ 311,891	

City of East Palo Alto
Required Supplementary Information, Continued
For the year ended June 30, 2019

1. BUDGETS AND BUDGETARY ACCOUNTING, Continued

C. Budgetary Comparison Schedules, Continued

Budgetary Comparison Schedule, Housing in Lieu Special Revenue Fund

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Transient occupancy tax	\$ 312,500	\$ 300,000	\$ 298,973	\$ (1,027)
Use of money and property	50,000	160,000	260,261	100,261
Total revenues	362,500	460,000	559,234	99,234
EXPENDITURES:				
Current:				
General government	32,600	32,600	26,859	5,741
Community development	-	108,000	30,818	77,182
Total expenditures	32,600	140,600	57,677	82,923
Net change in fund balance	\$ 329,900	\$ 319,400	501,557	\$ 182,157
FUND BALANCE:				
Beginning of year			9,086,648	
End of year			\$ 9,588,205	

City of East Palo Alto
Required Supplementary Information, Continued
For the year ended June 30, 2019

2. DEFINED BENEFIT PENSION PLAN

A. Schedule of the City's proportionate share of the Net Pension Liability - Last 10 Years

	<u>6/30/2019</u>	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Measurement date	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Proportion of the net pension liability	0.110450%	0.109441%	0.109310%	0.118190%	0.126260%
Proportionate share of the net pension liability	\$ 10,642,902	\$ 10,853,587	\$ 9,458,584	\$ 8,112,375	\$ 7,856,469
Covered payroll	\$ 9,257,855	\$ 8,464,356	\$ 8,078,420	\$ 7,962,595	\$ 7,773,690
Proportionate share of the net pension liability as percentage of covered payroll	114.96%	128.23%	117.08%	101.88%	101.06%
Plan fiduciary net position as a percentage of the total pension liability	75.26%	73.31%	74.06%	78.40%	79.82%

Note to Schedule:

Fiscal year 2015 was the first year of implementation, therefore only five years are shown.

City of East Palo Alto
Required Supplementary Information, Continued
For the year ended June 30, 2019

2. DEFINED BENEFIT PENSION PLAN, Continued

B. Schedule of Contributions - Last 10 Years

Fiscal year	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 1,812,899	\$ 1,642,560	\$ 1,493,218	\$ 1,371,578	\$ 1,477,383
Contribution in relation to the actuarially determined contributions	(1,812,899)	(1,642,560)	(1,493,218)	(1,371,578)	(1,477,383)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 9,577,025	\$ 9,257,855	\$ 8,464,356	\$ 8,078,420	\$ 7,962,595
Contributions as a percentage of covered payroll	18.93%	17.74%	17.64%	16.98%	18.55%

Notes to Schedule:

Fiscal year 2015 was the first year of implementation, therefore only five years are shown

SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

NPDES Fees Fund accounts for the revenues and expenditures from assessments levied on property in the City in compliance with the provisions of the National Pollutant Discharge Elimination System for prevention of storm water and flood related damage.

Gas Tax Fund accounts for funds received from the State of California to use for street and highway related projects.

Federal and State Law Enforcement Fund accounts for the receipt and use of State and Federal law enforcement related grant money.

Park in Lieu Fund accounts for park in lieu fees collected from developers.

Rent Stabilization Fund accounts for revenues and expenditures to support rent stabilization activities.

Federal and State Grants Fund accounts for grant money received and expended from various Federal and State government grants.

Housing Assistance Fund accounts for first time home buyer assistance program activities.

Measure A Fund accounts for the City's Measure A revenues and expenditures. Measure A is a half-cent sales tax to support countywide (San Mateo County) transportation projects and programs.

CYSFF Children/Youth/Seniors/Family Fund accounts for 10% of TOT taxes collected as approved by voters and the City Council approved funding for various non-profit organizations related to Children/Youth/Seniors/Family programs.

Lighting District Fund accounts for revenues (property taxes) and expenditures for the Ravenswood Highway Lighting District.

Drainage District Fund accounts for revenues (property taxes) and expenditures for the East Palo Alto Maintenance Drainage District.

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS (CONTINUED)

Measure C Fund accounts for the revenues and expenditures of Measure C Special Parcel tax. Measure C was approved by the voters in November 2006. The tax is annual parcel tax and the funds are to be used to support violence prevention and public safety intervention.

Local Grants Special Revenue Fund accounts for revenues and expenditures from local public and private grants including the C/CAG Shuttle and the CA Endowment grants.

Silicon Valley Community Foundation (SVCF) Special Revenue Fund accounts for gift monies from the Silicon Valley Community Foundation to be used for the purpose of incentivizing the development of affordable housing within the City. The gift is available to use upon the transfer of certain water rights. The funds are further restricted to pay a minimum amount of \$500,000 for an affordable housing manager position over a minimum period of five years. Up to \$2,000,000 is authorized for an inter-fund loan to provide monies to purchase certain water rights.

Low and Moderate Income Housing Successor Special Revenue Fund accounts for the activities related to the housing assets assumed by the City as Housing Successor to the former Redevelopment Agency. The activities are governed by California redevelopment law and must be used to provide housing for those with low and moderate incomes. The main source of revenue is the repayment of loans restricted for housing activities.

City of East Palo Alto
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2019

	Special Revenue				
	NPDES Fees	Gas Tax	Federal and State Law Enforcement	Park in Lieu	Rent Stabilization Fund
ASSETS					
Cash and investments	\$ 103,888	\$ 3,521,899	\$ 209,894	\$ 119,882	\$ 872,782
Restricted cash and investments	-	-	-	1,910	-
Receivables:					
Accrued interest	475	20,430	877	775	5,535
Taxes	-	-	-	-	-
Intergovernmental	118,080	101,186	5,469	318,972	-
Accounts receivable	-	-	-	-	15,616
Deposits and prepayments	-	-	-	-	-
Advance to other funds	-	-	-	-	-
Loans and notes receivable	-	-	-	-	-
Total assets	\$ 222,443	\$ 3,643,515	\$ 216,240	\$ 441,539	\$ 893,933
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 49,718	\$ 40,064	\$ 1,978	\$ 17,732	\$ 3,606
Retentions payable	-	-	-	81,070	-
Other accrued liabilities	-	3,125	-	-	-
Unearned revenue	-	-	-	1,910	-
Total liabilities	49,718	43,189	1,978	100,712	3,606
Deferred inflows of resources:					
Unavailable revenue	118,080	-	-	-	14,407
Fund Balances:					
Restricted	54,645	3,600,326	214,262	340,827	875,920
Total fund balances	54,645	3,600,326	214,262	340,827	875,920
Total liabilities, deferred inflows of resources, and fund balances	\$ 222,443	\$ 3,643,515	\$ 216,240	\$ 441,539	\$ 893,933

Special Revenue

Federal and State Grants	Housing Assistance	Measure A	CYSFF Child/Family	Lighting District	Drainage District	Measure C	Local Grants
\$ 80,540	\$ 302,283	\$ 3,218,083	\$ 1,017,720	\$ 2,799,121	\$ 305,054	\$ 588,859	\$ 333,353
-	-	-	-	-	-	-	-
463	1,869	19,370	5,967	16,289	1,792	3,875	2,005
-	-	-	28,406	976	219	-	-
16,801	-	-	-	-	-	-	-
-	1,486	50,692	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	157,341	-	-	-	-	-	-
<u>\$ 97,804</u>	<u>\$ 462,979</u>	<u>\$ 3,288,145</u>	<u>\$ 1,052,093</u>	<u>\$ 2,816,386</u>	<u>\$ 307,065</u>	<u>\$ 592,734</u>	<u>\$ 335,358</u>
\$ 2,873	\$ 341	\$ 92,293	\$ 134,035	\$ 14,075	\$ 10,663	\$ -	\$ 1,145
-	-	62,454	-	-	-	-	-
-	-	-	39,012	1,612	-	-	-
-	-	-	-	-	-	-	-
<u>2,873</u>	<u>341</u>	<u>154,747</u>	<u>173,047</u>	<u>15,687</u>	<u>10,663</u>	<u>-</u>	<u>1,145</u>
-	-	-	-	-	-	-	-
94,931	462,638	3,133,398	879,046	2,800,699	296,402	592,734	334,213
94,931	462,638	3,133,398	879,046	2,800,699	296,402	592,734	334,213
<u>\$ 97,804</u>	<u>\$ 462,979</u>	<u>\$ 3,288,145</u>	<u>\$ 1,052,093</u>	<u>\$ 2,816,386</u>	<u>\$ 307,065</u>	<u>\$ 592,734</u>	<u>\$ 335,358</u>

City of East Palo Alto
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2019

	Special Revenue		
	SVCF	Low and Moderate Income Housing Successor	Total Non-Major Governmental Funds
ASSETS			
Cash and investments	\$ 356,173	\$ 1,282,101	\$ 15,111,632
Restricted cash and investments	-	-	1,910
Receivables:			
Accrued interest	2,230	239,689	321,641
Taxes	-	-	29,601
Intergovernmental	-	-	560,508
Accounts receivable	-	-	67,794
Deposits and prepayments	-	-	-
Advance to other funds	2,000,000	-	2,000,000
Loans and notes receivable	-	7,098,010	7,255,351
Total assets	\$ 2,358,403	\$ 8,619,800	\$ 25,348,437
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 3,448	\$ 371,971
Retentions payable	-	-	143,524
Other accrued liabilities	-	-	43,749
Unearned revenue	-	-	1,910
Total liabilities	-	3,448	561,154
Deferred inflows of resources:			
Unavailable revenue	-	232,334	364,821
Fund Balances:			
Restricted	2,358,403	8,384,018	24,422,462
Total fund balances	2,358,403	8,384,018	24,422,462
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,358,403	\$ 8,619,800	\$ 25,348,437

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City of East Palo Alto
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2019

	Special Revenue				
	NPDES Fees	Gas Tax	Federal and State Law Enforcement	Park in Lieu	Rent Stabilization Fund
REVENUES:					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Transient occupancy tax	-	-	-	-	-
Other taxes	-	1,258,623	-	-	-
Charges for services	138,328	-	-	-	639,477
Use of money and property	1,361	85,871	3,181	14,881	22,070
Grants and intergovernmental	-	-	158,881	935,225	-
Miscellaneous	-	-	-	-	-
Total revenues	139,689	1,344,494	162,062	950,106	661,547
EXPENDITURES:					
Current:					
General government	14,973	194,267	-	-	217,886
Public safety	-	-	97,195	-	-
Public works	92,739	317,302	-	-	-
Culture and recreation	-	-	-	-	-
Community development	213,541	-	-	8,031	305,206
Capital outlay	-	-	-	1,691,168	-
Total expenditures	321,253	511,569	97,195	1,699,199	523,092
REVENUES OVER (UNDER) EXPENDITURES	(181,564)	832,925	64,867	(749,093)	138,455
OTHER FINANCING SOURCES (USES):					
Transfers in	227,150	64,500	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	227,150	64,500	-	-	-
Net change in fund balances	45,586	897,425	64,867	(749,093)	138,455
FUND BALANCES:					
Beginning of the year	9,059	2,702,901	149,395	1,089,920	737,465
End of year	<u>\$ 54,645</u>	<u>\$ 3,600,326</u>	<u>\$ 214,262</u>	<u>\$ 340,827</u>	<u>\$ 875,920</u>

Special Revenue

Federal and State Grants	Housing Assistance	Measure A	CYSFF Child/ Family	Lighting District	Drainage District	Measure C	Local Grants
\$ -	\$ -	\$ -	\$ -	\$ 702,603	\$ 129,257	\$ -	\$ -
-	-	657,197	-	-	-	-	-
-	-	-	298,973	-	-	-	-
-	-	-	-	-	-	-	-
-	4,343	-	-	-	-	-	-
2,486	12,728	83,556	25,625	67,518	6,811	24,392	7,845
51,604	-	-	-	-	-	-	100,000
-	-	-	-	-	-	-	-
<u>54,090</u>	<u>17,071</u>	<u>740,753</u>	<u>324,598</u>	<u>770,121</u>	<u>136,068</u>	<u>24,392</u>	<u>107,845</u>
-	-	11,501	16,900	65,910	13,304	-	-
-	-	-	-	-	-	7,911	11,761
-	-	-	-	96,387	93,665	-	-
51,604	-	-	210,722	-	-	438,979	-
-	2,108	-	-	-	-	-	-
-	-	197,060	-	-	14,107	-	-
<u>51,604</u>	<u>2,108</u>	<u>208,561</u>	<u>227,622</u>	<u>162,297</u>	<u>121,076</u>	<u>446,890</u>	<u>11,761</u>
<u>2,486</u>	<u>14,963</u>	<u>532,192</u>	<u>96,976</u>	<u>607,824</u>	<u>14,992</u>	<u>(422,498)</u>	<u>96,084</u>
-	-	-	-	-	87,400	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	87,400	-	-
2,486	14,963	532,192	96,976	607,824	102,392	(422,498)	96,084
<u>92,445</u>	<u>447,675</u>	<u>2,601,206</u>	<u>782,070</u>	<u>2,192,875</u>	<u>194,010</u>	<u>1,015,232</u>	<u>238,129</u>
<u>\$ 94,931</u>	<u>\$ 462,638</u>	<u>\$ 3,133,398</u>	<u>\$ 879,046</u>	<u>\$ 2,800,699</u>	<u>\$ 296,402</u>	<u>\$ 592,734</u>	<u>\$ 334,213</u>

City of East Palo Alto
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the year ended June 30, 2019

	Special Revenue		
	SVCF	Low and Moderate Income Housing Successor	Total Non-Major Governmental Funds
REVENUES:			
Property taxes	\$ -	\$ -	\$ 831,860
Sales taxes	-	-	657,197
Transient occupancy tax	-	-	298,973
Other taxes	-	-	1,258,623
Charges for services	-	7,164	789,312
Use of money and property	12,998	151,343	522,666
Grants and intergovernmental	-	-	1,245,710
Miscellaneous	-	7,706	7,706
Total revenues	12,998	166,213	5,612,047
EXPENDITURES:			
Current:			
General government	-	18,420	553,161
Public safety	-	-	116,867
Public works	-	-	600,093
Culture and recreation	-	-	701,305
Community development	139,843	30,820	699,549
Capital outlay	-	-	1,902,335
Total expenditures	139,843	49,240	4,573,310
REVENUES OVER (UNDER) EXPENDITURES	(126,845)	116,973	1,038,737
OTHER FINANCING SOURCES (USES):			
Transfers in	-	200,000	579,050
Transfers out	-	-	-
Total other financing sources (uses)	-	200,000	579,050
Net change in fund balances	(126,845)	316,973	1,617,787
FUND BALANCES:			
Beginning of the year	2,485,248	8,067,045	22,804,675
End of year	<u>\$ 2,358,403</u>	<u>\$ 8,384,018</u>	<u>\$ 24,422,462</u>

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

NPDES Fees Special Revenue Fund

For the year ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
REVENUES:				
Other taxes	\$ 80,000	\$ 134,130	\$ -	\$ (134,130)
Charges for services	134,500	134,500	138,328	3,828
Use of money and property	-	-	1,361	1,361
Total revenues	214,500	268,630	139,689	(128,941)
EXPENDITURES:				
Current:				
General government	30,550	30,550	14,973	15,577
Public works	171,800	225,930	92,739	133,191
Community development	239,300	239,300	213,541	25,759
Total expenditures	441,650	495,780	321,253	174,527
REVENUES OVER (UNDER) EXPENDITURES	(227,150)	(227,150)	(181,564)	45,586
OTHER FINANCING SOURCES (USES):				
Transfer in	227,150	227,150	227,150	-
Total other financing sources (uses)	227,150	227,150	227,150	-
Net change in fund balance	\$ -	\$ -	45,586	\$ 45,586
FUND BALANCE:				
Beginning of year			9,059	
End of year			<u>\$ 54,645</u>	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Gas Tax Special Revenue Fund

For the year ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Other taxes	\$ 1,293,900	\$ 1,293,900	\$ 1,258,623	\$ (35,277)
Use of money and property	20,000	30,000	85,871	55,871
Total revenues	<u>1,313,900</u>	<u>1,323,900</u>	<u>1,344,494</u>	<u>20,594</u>
EXPENDITURES:				
Current:				
General government	194,200	194,200	194,267	(67)
Public works	486,600	486,600	317,302	169,298
Capital outlay	570,000	1,634,680	-	1,634,680
Total expenditures	<u>1,250,800</u>	<u>2,315,480</u>	<u>511,569</u>	<u>1,803,911</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>63,100</u>	<u>(991,580)</u>	<u>832,925</u>	<u>1,824,505</u>
OTHER FINANCING SOURCES (USES):				
Transfer in	64,500	64,500	64,500	-
Total other financing sources (uses)	<u>64,500</u>	<u>64,500</u>	<u>64,500</u>	<u>-</u>
Net change in fund balance	<u>\$ 127,600</u>	<u>\$ (927,080)</u>	897,425	<u>\$ 1,824,505</u>
FUND BALANCE:				
Beginning of year			<u>2,702,901</u>	
End of year			<u>\$ 3,600,326</u>	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Federal and State Law Enforcement Special Revenue Fund For the year ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 3,181	\$ 3,181
Grants and intergovernmental	100,000	100,000	158,881	58,881
Total revenues	100,000	100,000	162,062	62,062
EXPENDITURES:				
Current:				
Public safety	105,700	105,700	97,195	8,505
Total expenditures	105,700	105,700	97,195	8,505
Net change in fund balance	\$ (5,700)	\$ (5,700)	64,867	\$ 70,567
FUND BALANCE:				
Beginning of year			149,395	
End of year			\$ 214,262	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Park in Lieu Special Revenue Fund

For the year ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 9,000	\$ 9,000	\$ 14,881	\$ 5,881
Grants and intergovernmental	-	1,086,000	935,225	(150,775)
Total revenues	<u>9,000</u>	<u>1,095,000</u>	<u>950,106</u>	<u>(144,894)</u>
EXPENDITURES:				
Current:				
Community development	-	3,940	8,031	(4,091)
Capital outlay	-	1,861,690	1,691,168	170,522
Total expenditures	<u>-</u>	<u>1,865,630</u>	<u>1,699,199</u>	<u>166,431</u>
Net change in fund balance	<u>\$ 9,000</u>	<u>\$ (770,630)</u>	<u>(749,093)</u>	<u>\$ 21,537</u>
FUND BALANCE:				
Beginning of year			<u>1,089,920</u>	
End of year			<u>\$ 340,827</u>	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Rent Stabilization Fund Special Revenue Fund

For the year ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 527,500	\$ 586,900	\$ 639,477	\$ 52,577
Use of money and property	5,000	14,000	22,070	8,070
Total revenues	532,500	600,900	661,547	60,647
EXPENDITURES:				
Current:				
General government	218,000	218,000	217,886	114
Community development	382,800	382,800	305,206	77,594
Total expenditures	600,800	600,800	523,092	77,708
REVENUES OVER (UNDER) EXPENDITURES	(68,300)	100	138,455	138,355
Net change in fund balance	\$ (68,300)	\$ 100	138,455	\$ 138,355
FUND BALANCE:				
Beginning of year			737,465	
End of year			\$ 875,920	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Federal and State Grants Special Revenue Fund For the year ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 2,486	\$ 2,486
Grants and intergovernmental	43,500	462,190	51,604	(410,586)
Total revenues	43,500	462,190	54,090	(408,100)
EXPENDITURES:				
Current:				
General government	-	209,340	-	209,340
Culture and recreation	43,500	52,085	51,604	481
Community development	-	200,765	-	200,765
Total expenditures	43,500	462,190	51,604	410,586
Net change in fund balance	\$ -	\$ -	2,486	\$ 2,486
FUND BALANCE:				
Beginning of year			92,445	
End of year			<u>\$ 94,931</u>	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Housing Assistance Special Revenue Fund

For the year ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ -	\$ -	\$ 4,343	\$ 4,343
Use of money and property	10,000	20,000	12,728	(7,272)
Total revenues	10,000	20,000	17,071	(2,929)
EXPENDITURES:				
Current:				
Community development	11,400	11,400	2,108	9,292
Total expenditures	11,400	11,400	2,108	9,292
Net change in fund balance	\$ (1,400)	\$ 8,600	14,963	\$ 6,363
FUND BALANCE:				
Beginning of year			447,675	
End of year			\$ 462,638	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Measure A Special Revenue Fund

For the year ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Sales taxes	\$ 620,000	\$ 620,000	\$ 657,197	\$ 37,197
Use of money and property	20,000	30,000	83,556	53,556
Total revenues	640,000	650,000	740,753	90,753
EXPENDITURES:				
Current:				
General government	13,580	13,580	11,501	2,079
Public works	10,000	10,000	-	10,000
Capital outlay	-	405,850	197,060	208,790
Total expenditures	23,580	429,430	208,561	220,869
Net change in fund balance	\$ 616,420	\$ 220,570	532,192	\$ 311,622
FUND BALANCE:				
Beginning of year			2,601,206	
End of year			\$ 3,133,398	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

CYSFF Child/Family Special Revenue Fund

For the year ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Transient occupancy tax	\$ 312,500	\$ 300,000	\$ 298,973	\$ (1,027)
Use of money and property	6,400	17,000	25,625	8,625
Total revenues	318,900	317,000	324,598	7,598
EXPENDITURES:				
Current:				
General government	16,900	16,900	16,900	-
Culture and recreation	190,000	314,780	210,722	104,058
Total expenditures	206,900	331,680	227,622	104,058
Net change in fund balance	\$ 112,000	\$ (14,680)	96,976	\$ 111,656
FUND BALANCE:				
Beginning of year			782,070	
End of year			\$ 879,046	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Lighting District Special Revenue Fund

For the year ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 578,500	\$ 778,500	\$ 702,603	\$ (75,897)
Use of money and property	20,000	45,000	67,518	22,518
Total revenues	<u>598,500</u>	<u>823,500</u>	<u>770,121</u>	<u>(53,379)</u>
EXPENDITURES:				
Current:				
General government	68,000	68,000	65,910	2,090
Public works	154,400	154,400	96,387	58,013
Community development	1,200	1,200	-	1,200
Total expenditures	<u>223,600</u>	<u>223,600</u>	<u>162,297</u>	<u>61,303</u>
Net change in fund balance	<u>\$ 374,900</u>	<u>\$ 599,900</u>	607,824	<u>\$ 7,924</u>
FUND BALANCE:				
Beginning of year			<u>2,192,875</u>	
End of year			<u>\$ 2,800,699</u>	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Drainage District Special Revenue Fund

For the year ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 105,400	\$ 115,400	\$ 129,257	\$ 13,857
Use of money and property	-	5,000	6,811	1,811
Total revenues	105,400	120,400	136,068	15,668
EXPENDITURES:				
Current:				
General government	15,700	15,700	13,304	2,396
Public works	177,100	177,100	93,665	83,435
Capital outlay	-	-	14,107	(14,107)
Total expenditures	192,800	192,800	121,076	71,724
REVENUES OVER (UNDER) EXPENDITURES	(87,400)	(72,400)	14,992	87,392
OTHER FINANCING SOURCES (USES):				
Transfer in	87,400	87,400	87,400	-
Total other financing sources (uses)	87,400	87,400	87,400	-
Net change in fund balance	\$ -	\$ 15,000	102,392	\$ 87,392
FUND BALANCE:				
Beginning of year			194,010	
End of year			<u>\$ 296,402</u>	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Measure C Special Revenue Fund

For the year ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ 10,000	\$ 24,392	\$ 14,392
Total revenues	-	10,000	24,392	14,392
EXPENDITURES:				
Current:				
General government	2,340	2,340	-	2,340
Public safety	-	37,600	7,911	29,689
Culture and recreation	350,000	975,300	438,979	536,321
Total expenditures	352,340	1,015,240	446,890	568,350
Net change in fund balance	\$ (352,340)	\$ (1,005,240)	(422,498)	\$ 582,742
FUND BALANCE:				
Beginning of year			1,015,232	
End of year			\$ 592,734	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Local Grants

For the year ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 7,845	\$ 7,845
Grants and intergovernmental	-	100,000	100,000	-
Total revenues	-	100,000	107,845	7,845
EXPENDITURES:				
Current:				
Public safety	-	100,000	11,761	88,239
Total expenditures	-	100,000	11,761	88,239
REVENUES OVER (UNDER) EXPENDITURES	-	-	96,084	96,084
Net change in fund balance	\$ -	\$ -	96,084	\$ 96,084
FUND BALANCE:				
Beginning of year			238,129	
End of year			\$ 334,213	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Silicon Valley Community Foundation (SVCF)

For the year ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ -	\$ 8,500	\$ 12,998	\$ 4,498
Total revenues	-	8,500	12,998	4,498
EXPENDITURES:				
Current:				
Community development	156,000	156,000	139,843	16,157
Total expenditures	156,000	156,000	139,843	16,157
Net change in fund balance	\$ (156,000)	\$ (147,500)	(126,845)	\$ 20,655
FUND BALANCE:				
Beginning of year			2,485,248	
End of year			<u>\$ 2,358,403</u>	

City of East Palo Alto

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual

Low and Moderate Income Housing Fund

For the year ended June 30, 2019

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ -	\$ -	\$ 7,164	\$ 7,164
Use of money and property	65,000	65,000	151,343	86,343
Miscellaneous	60,000	100,000	7,706	(92,294)
Total revenues	125,000	165,000	166,213	1,213
EXPENDITURES:				
Current:				
General government	-	40,000	18,420	21,580
Community development	94,600	515,100	30,820	484,280
Total expenditures	94,600	555,100	49,240	505,860
REVENUES OVER (UNDER) EXPENDITURES	30,400	(390,100)	116,973	507,073
OTHER FINANCING SOURCES (USES):				
Transfer in	200,000	200,000	200,000	-
Total other financing sources (uses)	200,000	200,000	200,000	-
Net change in fund balance	\$ 230,400	\$ (190,100)	316,973	\$ 507,073
FUND BALANCE:				
Beginning of year			8,067,045	
End of year			\$ 8,384,018	

City of East Palo Alto
Schedule of Revenues and Expenditures - Budget and Actual
Local Retail Transactions and Use Tax
For the year ended June 30, 2019

	<i>Budget</i>	<i>Budget</i>	<i>Actual</i>	<i>Difference</i>	<i>and</i>	<i>Available</i>
Tax Revenues	\$ 1,750,000	\$ 1,900,000	\$ 2,054,050	\$ 154,050	\$ -	\$ 154,050
Expenditures:						
CD Director	235,325	115,325	110,365	(4,960)	-	(4,960)
Vacancy Savings:						
Hazardous Abatement	-	60,000	-	(60,000)	60,000	-
Transportation Planning	-	60,000	27,700	(32,300)	32,300	-
FIT-Clean Zones:						
Community Service Aides	43,000	43,000	-	-	-	-
Project WeHope	7,000	7,000	-	(7,000)	5,000	(2,000)
Capital Transfers:						
Unallocated	1,000,000	-	-	-	-	-
RV Safe Parking	-	226,100	111,192	(114,908)	114,908	-
Mobility Study	-	179,850	124,837	(55,013)	55,013	-
Bay Road EDA Match	-	1,100,000	-	(1,100,000)	1,100,000	-
	<u>1,285,325</u>	<u>1,791,275</u>	<u>374,094</u>	<u>(1,374,181)</u>	<u>1,367,221</u>	<u>(6,960)</u>
Net Available - Other General Purposes	<u>\$ 464,675</u>	<u>\$ 108,725</u>	<u>\$ 1,679,956</u>	<u>\$ 1,528,231</u>	<u>\$ (1,367,221)</u>	<u>\$ 161,010</u>

STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, noted disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well being have changed over time:

1. Net Position by Component
2. Changes in Net Position
3. Fund Balances of Governmental Funds
4. Changes in Fund Balances of Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax:

1. Assessed and Estimated Actual Value of Taxable Property
2. Property Tax Rates, All Overlapping Governments
3. Principal Property Taxpayers
4. Property Tax Levies and Collections

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratio of Outstanding Debt by Type
2. Computation of Direct and Overlapping Debt
3. Computation of Legal Bonded Debt Margin
4. Bonded Debt Pledged Revenue Coverage, Redevelopment Tax Allocation Bonds

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. Principal Employers

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Number of Positions - City Government by Function
2. Operating Indicators by Function/Program
3. Capital Asset Statistics by Function/Program

Operating Information

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City Implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

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City of East Palo Alto, California
Net Position by Component
Last Ten Fiscal Years
 (accrual basis of accounting)

		Fiscal Year Ended June 30									
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Government activities											
Net investment in capital assets		\$ 25,163,127	\$ 28,011,307	\$ 28,412,193	\$ 29,816,204	\$ 31,132,522	\$ 35,561,630	\$ 41,044,530	\$ 42,278,404	\$ 48,784,281	\$ 55,197,664
Restricted For:											
Debt Service		4,421,602	2,034,560	-	-	-	-	-	-	-	-
Low and moderate income housing		12,383,908	10,997,923	-	-	-	-	-	-	-	-
Public Safety		-	-	-	-	-	-	-	-	-	-
Highway and Street Projects		4,234,053	2,851,472	2,771,433	3,017,783	4,971,963	5,538,340	5,816,534	6,411,718	7,700,051	9,885,470
Parks and Recreation		940,572	703,171	713,964	358,473	496,583	550,014	1,120,082	1,117,148	1,089,920	340,827
Measure C programs		1,219,908	1,158,492	1,350,227	1,505,044	1,483,198	1,464,460	1,405,053	1,510,846	1,015,232	592,734
Housing Programs		-	1,342,896	1,517,432	2,088,380	13,108,951	14,012,643	17,325,494	20,518,013	20,824,081	21,669,184
Special Programs		-	-	-	-	726,772	954,220	1,168,856	853,741	1,262,039	1,522,452
Capital projects		-	-	-	-	209,247	188,644	279,184	3,796,398	3,012,787	9,816,132
Total restricted		23,200,043	19,088,514	6,353,056	6,969,680	20,996,714	22,708,321	27,115,203	34,207,864	34,904,110	43,826,799
Unrestricted		(13,680,807)	(8,749,180)	33,078,872	37,447,102	26,832,636	23,123,638	28,798,504	33,919,154	40,774,262	40,040,582
Total governmental activities net Position		34,682,363	38,550,641	67,844,121	74,232,986	78,961,872	81,393,589	96,958,237	110,405,422	124,462,653	139,065,045
Business-type activities											
Net investment in capital assets		4,503,722	4,319,814	4,134,175	3,938,884	3,743,594	3,548,303	3,353,012	4,050,566	11,161,837	10,964,954
Restricted For:											
Capital Projects		834,095	834,086	834,470	836,720	834,882	835,114	3,899,058	4,416,627	-	-
Total restricted		834,095	834,086	834,470	836,720	834,882	835,114	3,899,058	4,416,627	-	-
Unrestricted		1,483,820	1,055,762	1,037,305	1,453,874	1,685,818	1,889,840	1,946,951	2,104,425	2,632,529	3,878,460
Total business-type activities net Position		6,821,637	6,209,662	6,005,950	6,229,478	6,264,294	6,273,257	9,199,021	10,571,618	13,794,366	14,843,414
Primary Government											
Net investment in capital assets		29,666,849	32,331,121	32,546,368	33,755,088	34,876,116	39,109,933	44,397,542	46,328,970	59,946,118	66,162,618
Restricted		24,034,138	19,922,600	7,187,526	7,806,400	21,831,596	23,543,435	31,014,261	38,624,491	34,904,110	43,826,799
Unrestricted		(12,196,987)	(7,693,418)	34,116,177	38,900,976	28,518,454	25,013,478	30,745,455	36,023,579	43,406,791	43,919,042
Total primary government net Position		41,504,000	44,560,303	73,850,071	80,462,464	85,226,166	87,666,846	106,157,258	120,977,040	138,257,019	153,908,459

Note Prior to the dissolution of the Former Redevelopment Agency on 2/1/2012; the capital debt financing and Low/Moderate Income Housing balances were reported in the Government Activities. All assets and liabilities of the former Agency were transferred whereby the debt financing activity is reported in the Successor Agency Trust Fund and the housing activity was transferred to the City as successor for the program.

City of East Palo Alto, California
Change in Net Position
Last Ten Fiscal Years
 (accrual basis of accounting)

	Fiscal Year Ending June 30									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental Activities:										
General government	5,119,297	4,700,459	4,634,178	4,396,506	4,055,087	3,660,815	3,857,915	4,183,768	4,550,835	4,811,440
Public safety	11,005,614	10,972,657	10,374,212	10,408,814	10,806,440	10,303,086	9,653,248	9,313,300	10,694,568	11,860,715
Public works	4,036,926	3,055,334	3,028,589	3,521,107	3,371,899	4,622,878	4,947,019	4,734,883	4,925,199	5,103,756
Culture and recreation	1,228,036	1,333,904	1,525,961	513,923	775,115	786,238	1,181,861	1,183,150	1,712,237	1,805,560
Community Development	7,230,567	5,333,924	3,340,428	2,608,543	3,147,112	2,419,345	2,748,306	2,426,699	3,129,327	3,720,981
Interest on long-term debt	2,882,117	2,291,283	1,295,832	1,306	3,281	4,180	4,325	2,347	1,214	154
Total governmental activities	31,502,557	27,687,561	24,199,200	21,450,199	22,158,934	21,796,542	22,392,674	21,844,147	25,013,380	27,302,606
Business-type activities										
Water Service	619,277	439,826	326,502	340,916	402,914	357,769	342,263	378,893	320,163	423,315
Garbage collection	1,616,967	2,602,083	2,583,098	2,174,074	2,353,590	2,420,314	2,490,862	2,501,535	2,320,786	2,583,092
Total business-type activities	2,236,244	3,041,909	2,909,600	2,514,990	2,756,504	2,778,083	2,833,125	2,880,428	2,640,949	3,006,407
Total primary government expenses	33,738,801	30,729,470	27,108,800	23,965,189	\$ 24,915,438	24,574,625	25,225,799	24,724,575	27,654,329	30,309,013
Program Revenues										
Governmental Activities:										
Charges for Service:										
General government	2,536	18,101	4,744	5,153	6,549	11,512	22,278	26,441	51,117	1,101,963
Public safety	207,305	249,676	248,855	242,704	283,271	392,781	574,595	480,048	595,725	430,611
Public works	47,852	169,034	79,138	114,107	337,426	129,437	221,994	298,451	258,277	521,338
Culture and recreation	11,411	91,961	311,158	11,429	-	-	-	4,731	5,956	4,762
Community Development	455,586	1,049,045	1,203,310	1,427,453	1,440,886	1,660,988	2,088,395	1,989,755	1,808,234	1,697,655
Operating Grants and Contributions	4,896,638	3,621,393	3,799,544	4,616,972	2,794,311	3,353,230	2,643,028	4,969,735	1,740,657	1,948,262
Capital Grants and Contributions	178,073	1,266,486	705,817	1,414,317	2,767,803	4,289,620	8,348,064	4,229,323	5,930,378	5,770,566
Total governmental activities program revenues	5,799,401	6,465,696	6,350,566	7,832,135	7,630,246	9,837,568	13,898,354	11,998,484	10,390,344	11,475,157
Business-type activities										
Charges for Service:										
Water Service	174,743	243,750	223,037	259,353	258,045	275,339	980,296	1,227,649	1,149,827	1,184,789
Garbage collection	1,642,054	2,163,837	2,462,700	2,465,513	2,523,718	2,498,723	2,482,434	2,461,388	2,433,093	2,636,619
Capital Grants and Contributions	-	-	-	-	-	-	-	-	1,963,050	-
Total business-type activities program revenues	1,816,797	2,407,587	2,685,737	2,724,866	2,781,763	2,774,062	3,462,730	3,689,037	5,545,970	3,821,408
Total primary government revenues	7,616,198	8,873,283	9,036,303	10,557,001	10,412,009	12,611,630	17,361,084	15,687,521	15,936,314	15,296,565
Net Revenue (Expenses):										
Governmental Activities	(25,703,156)	(21,221,865)	(17,848,634)	(13,618,064)	(14,528,688)	(11,958,974)	(8,494,320)	(9,845,663)	(14,623,036)	(15,827,449)
Business-type Activities	(419,447)	(634,322)	(223,863)	209,876	25,259	(4,021)	629,605	808,609	2,905,021	815,001
Total Net Revenue (Expenses)	(26,122,603)	(21,856,187)	(18,072,497)	(13,408,188)	(14,503,429)	(11,962,995)	(7,864,715)	(9,037,054)	(11,718,015)	(15,012,448)

General Revenues and Other Changes in Net Position

Governmental activities										
Taxes										
Property Taxes	15,934,214	15,291,232	12,338,184	10,752,244	9,411,575	10,260,689	11,428,331	12,288,670	14,642,402	16,411,143
Utility Users Tax	1,591,204	1,502,939	1,418,457	1,434,208	1,464,049	1,513,088	1,516,104	1,520,017	1,680,279	1,537,991
Parcel Tax	717,549	704,164	717,528	702,084	719,704	711,619	713,931	721,870	62,481	86,410
Sales Tax	2,301,318	2,870,854	3,003,836	3,022,310	3,113,705	3,798,237	4,364,562	4,078,803	5,923,229	5,793,668
Transient occupancy tax	1,720,233	2,269,128	1,886,852	2,145,044	2,452,951	2,803,542	2,809,127	2,906,241	3,089,942	2,990,217
Franchise and business Tax	97,979	177,344	1,264,674	1,407,440	1,470,410	1,698,507	1,510,308	1,719,382	2,621,224	1,452,963
Investment earnings	1,442,654	1,388,987	1,260,104	240,412	194,682	232,001	312,707	394,890	849,716	2,029,009
Miscellaneous	420,557	692,898	395,396	303,188	430,498	493,864	719,437	194,024	49,306	128,440
Transfers	-	(7,403)	-	-	-	-	-	(531,049)	(238,312)	-
Extraordinary Items	-	-	25,057,083	-	-	-	3,246,461	-	-	-
Total Governmental activities	24,225,708	24,890,143	47,342,114	20,006,930	19,257,574	21,511,547	26,620,988	23,292,848	28,680,267	30,429,841
Business-type activities:										
Investment earnings	13,171	15,144	19,951	13,652	9,557	12,984	34,159	32,939	79,415	234,047
Transfers	-	7,403	-	-	-	-	-	531,049	238,312	-
Total Business-type activities	13,171	22,547	19,951	13,652	9,557	12,984	34,159	563,988	317,727	234,047
Total primary government										
	24,238,879	24,912,690	47,362,065	20,020,582	19,267,131	21,524,531	26,655,127	23,856,836	28,997,994	30,663,888
Changes in Net Position										
Governmental Activities	(1,477,448)	3,668,278	29,493,480	6,388,866	4,728,886	9,552,573	18,126,648	13,447,185	14,057,231	14,602,392
Business-type Activities	(406,276)	(611,775)	(203,912)	223,528	34,816	8,963	663,764	1,372,597	3,222,748	1,049,048
Changes in Net Position	(1,883,724)	3,056,503	29,289,568	6,612,394	4,763,702	9,561,536	18,790,412	14,819,782	17,279,979	15,651,440

City of East Palo Alto, California
Fund Balances-Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year Ended June 30									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	13,710,502			11,760,041	11,776,028	11,769,991	11,932,475	12,066,847	11,743,001	10,938,871
Unreserved	6,575,765									
Nonspendable		12,760,896	11,662,202							
Restricted										
Assigned		248,259	2,117,679	2,187,004	77,915	187,141	383,658	1,188,899	1,886,415	1,839,551
Unassigned		6,612,069	6,822,196	9,114,594	12,305,114	13,221,866	16,293,653	17,235,337	24,191,919	26,426,148
Total General Fund	20,286,267	19,621,224	20,602,077	23,061,639	24,159,057	25,178,998	28,609,786	30,491,083	37,821,335	39,204,570
All Other Governmental Funds										
Reserved	17,220,741									
Unreserved, reported in:										
Special revenue funds	8,390,162									
Capital projects funds	(12,293,874)									
Restricted		40,241,982	18,085,109	19,093,787	21,304,289	22,684,977	26,537,401	34,122,255	34,904,110	43,826,799
Nonspendable				57,051						
Assigned		4,213,590	1,309,475	1,449,121	703,226	1,913,459	4,803,773	7,289,475	6,772,150	7,874,189
Unassigned		(12,935,810)	(205,168)	(242,822)	(340,922)	(233,356)	(197,068)			
Total all other governmental funds	13,317,029	31,519,762	19,189,416	20,357,137	21,666,593	24,365,080	31,144,106	41,411,730	41,676,260	51,700,988
Total all governmental funds	33,603,296	51,140,986	39,791,493	43,418,776	45,825,650	49,544,078	59,753,892	71,902,813	79,497,595	90,905,558

Note:

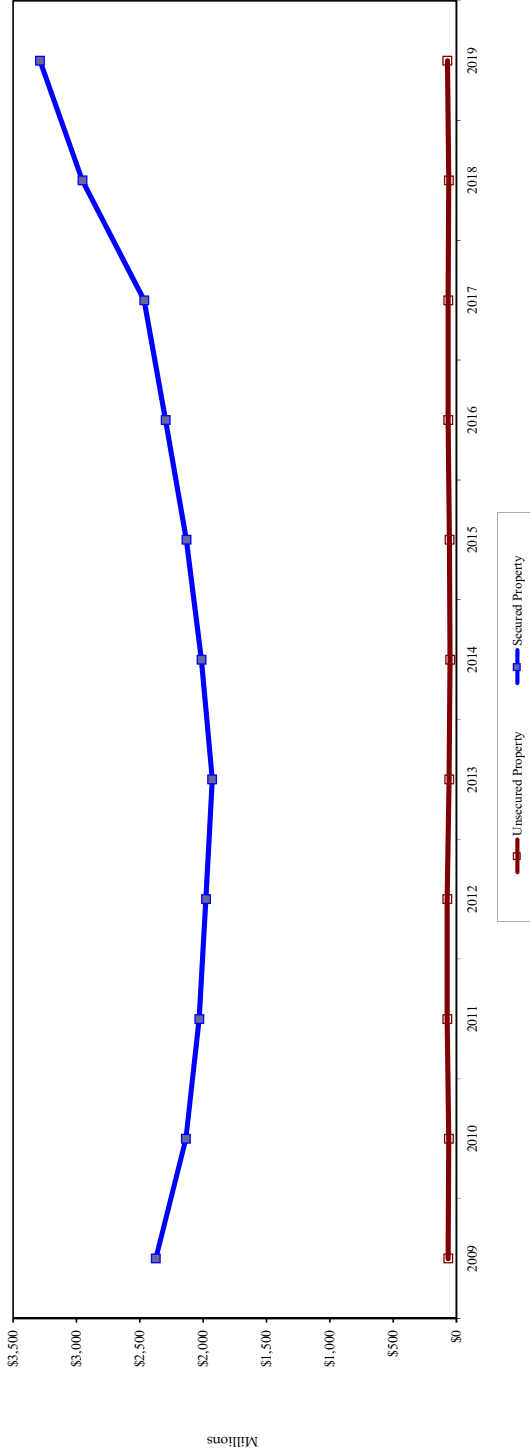
In Fiscal Year 2010-11, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Government Fund Type Definitions". The fund balance classifications changed in accordance with implementation of GASB 54.

City of East Palo Alto, California
Changes in Fund Balances-Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Taxes	21,854,984	22,046,785	19,849,192	18,545,522	18,700,903	20,271,896	22,015,184	22,570,573	26,465,002	28,911,799
Licenses, fees, and permits	758,510	1,451,605	1,474,305	1,637,444	927,194	932,302	8,225,539	2,276,892	2,945,418	2,816,522
Charges for services	1,188,851	1,094,850	1,398,072	1,345,024	2,110,075	2,638,045	2,778,293	2,090,795	1,942,517	2,027,506
Fines and forfeitures		239,233	239,475	225,680	261,440	368,621	532,143	442,911	745,766	421,661
Use of money and property	644,080	4,308,643	1,299,287	189,795	207,461	245,602	474,624	410,003	878,892	2,082,517
Grants and intergovernmental	4,319,992	4,286,769	3,882,039	4,091,814	3,181,804	4,941,401	3,589,152	8,724,241	5,177,790	7,459,093
Miscellaneous	222,793	1,173,265	407,755	372,686	607,906	609,570	1,212,731	205,096	119,862	385,940
Total revenues	28,988,310	34,601,150	28,550,125	26,407,965	25,996,783	30,007,437	38,827,666	36,720,511	38,275,247	44,105,038
Expenditures										
Current										
General Government	5,009,536	4,817,557	4,601,057	4,361,346	4,050,248	3,804,928	4,037,015	4,270,123	4,286,525	4,696,638
Public Safety	11,301,946	10,767,107	10,205,449	10,089,238	10,673,461	10,237,181	10,200,118	10,159,814	10,165,174	11,240,702
Public Works	3,989,167	3,359,333	2,853,818	3,338,504	2,421,820	2,698,224	3,106,375	3,560,158	4,251,301	4,150,097
Culture and recreation	1,351,058	714,746	709,236	509,561	774,662	789,369	1,036,572	959,888	1,243,981	1,203,631
Community Development	6,999,593	5,080,138	3,069,120	2,486,567	3,969,143	2,263,113	2,257,570	2,397,396	2,984,606	3,589,412
Outside Services										
Capital Outlay	872,973	3,568,500	3,300,116	2,124,427	1,668,320	6,877,626	2,524,109	3,290,362	7,716,265	7,800,356
Debt Service (a)										
Principal repayment	16,120,000	1,075,000	1,120,000	9,718	29,914	45,254	61,347	52,302	31,399	16,085
Interest & fiscal charges	3,241,729	3,323,676	1,611,102	1,306	3,281	4,180	4,325	2,347	1,214	154
Total expenditures	48,886,002	32,706,057	27,469,898	22,920,667	23,590,849	26,719,875	23,227,431	24,692,390	30,680,465	32,697,075
Excess of revenues over (under) expenditures	(19,897,692)	1,895,093	1,080,227	3,487,298	2,405,934	3,287,562	15,600,235	12,028,121	7,594,782	11,407,963
Other financing sources (uses)										
Transfers in	3,739,006	10,827,081	9,710,054	795,353	1,225,985	4,024,730	1,236,787	3,876,948	2,121,910	8,637,770
Transfers (out)	(3,739,006)	(10,834,484)	(9,710,054)	(795,353)	(1,225,985)	(4,024,730)	(3,498,787)	(3,811,148)	(2,121,910)	(8,637,770)
Contributed capital assets			224,805							
Capital leases				124,353		121,666				
Total other financing sources(uses)		(7,403)	224,805	124,353		121,666	(2,262,000)	65,800		
Special item and extraordinary item		15,650,000	(12,654,525)							
Net change in fund balances	(19,897,692)	17,537,690	(11,349,493)	3,611,651	2,405,934	3,409,228	13,338,235	12,093,921	7,594,782	11,407,963
Total Debt Service	19,361,729	4,398,676	2,731,102	11,024	33,195	49,434	65,672	54,649	32,613	16,239
Total Expenditures	48,886,002	32,706,057	27,469,898	22,920,667	23,590,849	26,719,875	23,227,431	24,692,390	30,680,465	32,697,075
Less: Debt Service (b)	(19,361,729)	(4,398,676)	(2,731,102)	(11,024)	(33,195)	(49,434)	(65,672)	(54,649)	(32,613)	(16,239)
Less: Capital Outlay (872,973)		(3,568,500)	(3,300,116)	(2,124,427)	(1,668,320)	(6,877,626)	(2,524,109)	(3,290,362)	(7,716,265)	(7,800,356)
Noncapital expenditures	28,651,300	24,738,881	21,438,680	20,785,216	21,889,334	19,792,815	20,637,650	21,347,379	22,931,587	24,880,480
Debt service as a percentage of noncapital expenditures	67.6%	17.8%	12.7%	0.1%	0.2%	0.2%	0.3%	0.3%	0.1%	0.1%

(a) Prior to the dissolution of the Former Redevelopment Agency in FY 2012, related capital debt financing had been reported. During FY 2011-12, debt service activity related to liabilities of the Former Agency were transferred and are reported in a Successor Agency Trust Fund.

City and Former Redevelopment Agency of East Palo Alto
Assessed Value and Estimated Actual
Value of All Taxable Property
Last Ten Fiscal Years



Fiscal Year	Secured			Unsecured			Total		Total Assessed (1)	Estimated Actual Value (2)	Total Direct Tax Rate (3)
	Gateway 101 Corridor	University Circle	Ravenswood	Gateway 101 Corridor	University Circle	Ravenswood	Unsecured Property	Total			
2009	327,844,925	379,621,229	92,952,830	13,006,019	42,195,488	3,241,611	64,047,690	2,374,758,605	2,374,758,605	1.00%	
2010	315,872,778	379,888,089	96,422,143	8,807,463	43,695,337	2,870,813	60,060,104	2,136,075,564	2,136,075,564	1.00%	
2011	305,966,439	379,147,248	84,571,225	20,146,922	41,919,469	3,191,957	72,622,229	2,030,719,472	2,030,719,472	1.00%	
2012	308,388,843	380,672,649	81,727,775	19,268,455	41,047,879	3,672,974	71,498,351	1,978,176,923	1,978,176,923	1.00%	
2013	317,394,502	369,327,260	79,254,165	19,933,559	28,078,757	3,282,000	58,192,658	1,928,669,749	1,928,669,749	1.00%	
2014	330,429,999	376,804,050	81,596,056	18,274,858	22,893,647	3,370,914	50,664,432	2,013,487,648	2,013,487,648	1.00%	
2015	341,894,816	378,514,734	83,231,935	18,472,810	25,681,636	4,601,336	54,953,888	2,130,647,020	2,130,647,020	1.00%	
2016	366,869,951	386,077,451	89,606,753	21,087,072	32,434,814	5,307,991	64,725,455	2,294,583,572	2,294,583,572	1.00%	
2017	383,867,913	391,965,125	128,424,119	21,336,520	31,608,639	6,300,157	64,603,270	2,465,680,381	2,465,680,381	1.00%	
2018	493,901,959	399,943,872	139,127,273	21,568,793	28,727,193	3,838,839	59,703,566	2,952,719,927	2,952,719,927	1.00%	
2019	589,570,833	491,664,014	149,310,365	24,130,526	26,264,047	3,792,066	70,949,766	3,289,212,822	3,289,212,822	1.00%	

Source: San Mateo County Assessors, MuniServices, LLC / an Avenu Insights & Analytics Company
 Source: 2013-14 and Prior, Prior published CAFR

- Notes:
- (1) Total Assessed Value is net of all exemptions, including homeowners' exemption.
 - (2) The State Constitution requires property to be assessed at 100% of the most recent purchase price (plus certain improvements), plus an increment of no more than two percent annually, plus any local over-rides. These values are considered full market values.
 - (3) California cities do not set their own direct tax rate. The State constitution establishes the rate at 1% and allocates a portion of that amount to all the taxing entities within a tax rate area.

City of East Palo Alto, California
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Basic County-wide Rate	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Override Assessments										
Ravenswood School District	0.0364	0.0364	0.0397	0.0417	0.0415	0.0360	0.0304	0.0376	0.0352	0.0616
Sequoia Union High School District	0.0277	0.0311	0.0358	0.0356	0.0313	0.0433	0.0434	0.0391	0.0383	0.0365
San Mateo Community College District	0.0182	0.0193	0.0199	0.0194	0.0194	0.0190	0.0250	0.0247	0.0235	0.0175
Midpeninsula Open Space District	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0008	0.0006	0.0009	0.0018
TOTAL	0.0823	0.0868	0.0954	0.0967	0.0922	0.0983	0.0996	0.1020	0.0979	0.1174
Total Tax Rate	1.0823	1.0868	1.0954	1.0967	1.0922	1.0983	1.0996	1.1020	1.0979	1.1174

Source: San Mateo County Assessors, MuniServices, LLC / an Avenu Insights & Analytics Company
Source: 2013-14 and prior, previously published CAFR Report
Tax Rate as represented by TRA 021-000

City of East Palo Alto, California
Principal Property Tax Payers
Last Fiscal Year and Ten Years Ago

Taxpayer	2018-19		2009-10	
	Taxable Value (\$)	Percent of Total City Taxable Value (%)	Taxable Value (\$)	Percent of Total City Taxable Value (%)
Woodland Park LLC	432,389,466	13.15%	-	-
Wells Reit II-University Circle	248,737,133	7.56%	310,933,941	14.66%
University Plaza EPA LLC	194,997,577	5.93%	-	-
Shr Palo Alto LLC	138,720,000	4.22%	-	-
Columbia Reit University Circle	103,170,063	3.14%	-	-
Ikea Property Inc.	85,041,961	2.59%	81,717,714	3.85%
Gateway 101 LLC	27,954,825	0.85%	24,700,000	1.16%
Hd Devel Of Maryland Inc	21,171,379	0.64%	18,706,358	0.88%
Sycamore Real Estate Investment	20,208,101	0.61%	-	-
PS Northern California One Inc.	17,111,503	0.52%	-	-
LD Riviera LLC	-	-	67,300,000	3.17%
One Newell LLC	-	-	35,581,679	1.68%
Nairobi Housing Inc.	-	-	12,658,544	0.60%
Storage Portfolio I LLC	-	-	7,801,606	0.37%
D & C Lee Second L P	-	-	7,035,802	0.33%
Green Valley Corp	-	-	6,897,852	0.33%
Total Top 10 Taxpayers	1,289,502,008	39.20%	573,333,496	27.03%
Total Taxable Value	3,289,212,822	100.00%	2,120,733,924	100.00%

Source: San Mateo County Assessors, MuniServices, LLC / an Avenu Insights & Analytics Company

City of East Palo Alto, California
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30	Total Tax Levied for Fiscal Year (1)	Collected Within the Fiscal Year of the Levy			Total Collections To Date		
		Current Tax Collections (2)	Percentage of Levy	Delinquent Tax Collections (3)	Total Tax Collections	Percentage of Levy	
2009	14,628,038	13,892,862	95.0%		13,892,862	95.0%	
2010	13,439,564	13,051,893	97.1%		13,051,893	97.1%	
2011	12,975,746	12,551,184	96.7%		12,551,184	96.7%	
2012	12,537,014	8,512,395	67.9%		8,512,395	67.9%	
2013	4,661,146	4,403,745	94.5%		4,403,745	94.5%	
2014	4,915,330	4,668,248	95.0%		4,668,248	95.0%	
2015	5,326,772	5,195,167	97.5%		5,195,167	97.5%	
2016	5,751,125	5,512,547	95.9%		5,512,547	95.9%	
2017	6,158,288	5,864,761	95.2%		5,864,761	95.2%	
2018	7,498,588	7,137,824	95.2%		7,137,824	95.2%	
2019	8,006,496	7,755,634	96.9%		7,755,634	96.9%	

Source: San Mateo County Controller, City General Ledger

Notes:

- (1) Beginning in 1993, Current Tax Collections are reduced by a mandatory tax allocation imposed by the State of California (Educational Revenue Augmentation Fund (ERAF)). Prior to the dissolution of the former Redevelopment Agency, the table data included secured and unsecured tax levies for the City, certain districts, and the former Redevelopment Agency. Beginning in FY 2012-13, the amounts levied are related to the City and certain districts only.
- (2) City of East Palo Alto General Ledger. Prior to dissolution of the former Redevelopment Agency, amounts collected include secured, unsecured, HOPTR, unitary, excess ERAF received, and tax increments related to the City and the former Redevelopment Agency. During FY 2011-12, as a result of the dissolution of the former Agency, the City collected one-half of the total amount levied for the former Agency accounting for the low percentage of amount collected in that year. Beginning in FY 2012-13, the amounts presented include only the City's general secured and unsecured property tax collections.
- (3) The County of San Mateo collects and allocates property taxes under the Teeter Plan whereby the City receives property tax revenues based on the total amount assessed, but not collected; therefore, the City has no direct delinquent tax collections.

City of East Palo Alto, California
Ratios of Outstanding Debt by Type

Fiscal Year End	Governmental Activities				Business-Type Activities				Outstanding Debt to Taxable Assessed Value
	Capitalized Lease Debt (1)	Redevelopment Tax Allocation Bonds (2)	Revenue Bonds (2)	Less: Restricted Bonds Held (3)	Notes Payable	Total Primary Government Debt	Percentage of Personal Income (5)	Outstanding Debt Per Capita (6)	
2009	-	24,355,000	17,995,000	(16,040,000)	-	26,310,000	4.32%	793	1.11%
2010	-	23,700,500	17,995,000	(15,650,000)	-	26,045,500	4.33%	777	1.22%
2011	-	23,390,000	17,415,000	(15,240,000)	(4)	25,564,996	4.92%	903	1.26%
2012	-	-	-	-	-	-	0.00%	-	0.00%
2013	114,635	-	-	-	-	114,635	0.02%	4	0.01%
2014	84,721	-	-	-	-	84,721	0.01%	3	0.00%
2015	161,133	-	-	-	-	161,133	0.03%	6	0.01%
2016	99,786	-	-	-	-	99,786	0.02%	3	0.00%
2017	47,484	-	-	-	-	47,484	0.01%	2	0.00%
2018	16,085	-	-	-	700,000	716,085	0.10%	23	0.02%
2019	-	-	-	-	700,000	700,000	0.09%	23	0.02%

Source: City of East Palo Alto

Notes:

- (1) Capitalized Lease Debt due to Police Vehicle purchased in 2013 and 2015.
- (2) Tax Allocation Bonds and Revenue Bonds related to financing Redevelopment Agency projects and activities.
- (3) Bond proceeds invested and, in October of 2010, used as part of a purchase in lieu of redemption structure. In 2009 the Public Finance Authority proceeds were used to purchase, and hold as investment, the 1999 Tax Allocation Bonds.
- (4) During FY 2011-12, the former Redevelopment Agency was dissolved and all debts transferred to a Successor Trust.
- (5) Population Projections prepared by State of California Department of Finance, Personal Income Data by MuniServices LLC
- (6) State of California Department of Finance, population.

City of East Palo Alto, California
Computation of Direct and Overlapping Debt
June 30, 2019

2018-19 Assessed Valuation	\$	3,302,953,822		
			Total Debt	Percentage
Overlapping Tax Increment Debt (Successor Agency)			6/30/2019	Applicable (1)
2015A Refunding Tax Allocation Bonds	\$	16,905,000	100%	City's Share of Debt 6/30/2019
				\$ 16,905,000
Total Overlapping Tax Increment Debt				\$ 16,905,000
Ratios to Redevelopment Successor Agency Incremental Valuation (\$1,225,045,655):				
Overlapping Tax Increment Debt			1.38%	
Direct and Overlapping Tax and Assessment Debt:				
San Mateo Community College District	\$	801,050,076	1.478%	\$ 11,839,520
Sequoia Union High School District		518,005,000	3.452%	17,881,533
Ravenswood School District		53,715,000	45.507%	24,444,085
Midpeninsula Regional Open Space District		92,460,000	1.154%	1,066,988
California Statewide Communities Development Authority 1915 Act Bonds		2,728,277	100.000%	2,728,277
Subtotal Overlapping Tax and Assessment Debt				57,960,403
Subtotal Direct Debt				-
Total Direct and Overlapping Tax, Assessment and Tax Increment Debt				\$ 74,865,403
Ratios to 2018-19 Assessed Valuation:				
Direct Debt			0.00%	
Direct and Overlapping Tax and Assessment Debt			1.75%	
Direct and Overlapping Tax and Assessment and Tax Increment Debt			2.27%	
Overlapping General Fund Debt:				
San Mateo County General Fund Obligations	\$	551,005,360	1.478%	\$ 8,143,859
San Mateo County Board of Education Certificates of Participation		8,140,000	1.478%	120,309
Menlo Park Fire Protection District Certificates of Participation		10,205,000	8.668%	884,569
Midpeninsula Regional Open Space District General Fund Obligations		117,450,600	1.154%	1,355,380
Total Overlapping General Fund Debt				10,504,117
Total Direct Debt				-
Combined Total Debt				\$ 85,369,520 (2)

Source: San Mateo County Assessors, MuniServices, LLC / an Avenu Insights & Analytics Company

Notes:

- (1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.
- (2) Excludes tax and revenue anticipation notes, revenue, mortgage revenue obligations, lease obligations, and qualified promissary notes.

Ratios to 2018-19 Assessed Valuation:

Total Direct Debt	0.00%
Combined Total Debt	2.58%

City of East Palo Alto, California
Computation of Legal Bonded Debt Margin

Last Ten Fiscal Years

	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Gross Assessed Valuation	1,288,518,941	1,195,776,212	1,143,398,348	1,111,399,506	1,180,118,124
Conversion Percentage	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	322,129,735	298,944,053	285,849,587	277,849,877	295,029,531
Debt service limit percentage	15%	15%	15%	15%	15%
Debt service limit percentage	48,319,460	44,841,608	42,877,438	41,677,481	44,254,430
Debt Applicable to Limit:					
Less: Outstanding General Obligations	-	-	-	-	-
Legal debt service margin	48,319,460	44,841,608	42,877,438	41,677,481	44,254,430

	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Gross Assessed Valuation	1,278,249,753	1,393,199,540	1,502,177,908	1,865,611,998	2,004,480,971
Conversion Percentage	25%	25%	25%	25%	25%
Adjusted Assessed Valuation	319,562,438	348,299,885	375,544,477	466,403,000	501,120,243
Debt service limit percentage	15%	15%	15%	15%	15%
Debt service limit percentage	47,934,366	52,244,983	56,331,672	69,960,450	75,168,036
Debt Applicable to Limit:					
Less: Outstanding General Obligations	-	-	-	-	-
Legal debt service margin	47,934,366	52,244,983	56,331,672	69,960,450	75,168,036

Source: San Mateo County Assessors, MuniServices, LLC / an Avenu Insights & Analytics Company

Notes:

California Government Code, Section 43605 sets the debt limit at 15%. The Code section was enacted prior to the change in basing assessed value to full market value when it was previously 25% of market value.

City of East Palo Alto, California
Bonded Debt Pledged-Revenue Coverage
Successor Agency (Including Former Redevelopment and Authority Bonds)
Last Ten Fiscal Years

Fiscal Year	RDA Tax Allocation (Refunding) Bonds				Public Financing Authority Revenue Bonds							
	Increment (Gross RPTTF)	Debt Service (1)		Total	Coverage	Payments from 1999 TABS**		Capitalized Interest Acct		Debt Service (2)		Coverage
		Principal	Interest			Principal	Interest	Principal	Interest	Principal	Interest	
2010	7,891,237	470,000	1,706,055	2,176,055	3.6	-	-	846,644	-	-	846,644	100%
2011	7,625,928	495,000	1,455,833	1,950,833	3.9	1,416,784	-	-	580,000	836,784	1,416,784	100%
2012 *	7,376,396	520,000	1,425,525	1,945,525	3.8	1,418,570	-	-	600,000	818,570	1,418,570	100%
2013	7,376,779	550,000	1,394,064	1,944,064	3.8	1,416,938	-	-	620,000	796,938	1,416,938	100%
2014	7,601,754	585,000	1,360,764	1,945,764	3.9	1,415,438	-	-	645,000	770,438	1,415,438	100%
2015	7,635,260	620,000	1,325,004	1,945,004	3.9	1,415,138	-	-	670,000	745,138	1,415,138	100%
2016 **	8,369,650	655,000	1,037,717	1,692,717	4.9	15,242,245	-	-	14,880,000	362,245	15,242,245	100%
2017	9,214,713	795,000	732,249	1,527,249	6.0	-	-	-	-	-	-	-
2018	10,573,336	865,000	703,178	1,568,178	6.7	-	-	-	-	-	-	-
2019 ***	14,617,765	885,000	686,850	1,571,850	9.3	-	-	-	-	-	-	-

Source:

- (1) Tax Allocation bonds 1999, 2003A, 2003B, 2015A, 2015B
- (2) PFA Revenue bonds 2005A. Deceased effective 10/1/2015.

Notes:

The tables above reflect the 1999, 2003A, and 2003B Tax Allocation Bonds (TABs). Note that the bond proceeds from the 2005 East Palo Alto Public Financing Authority revenue bonds were used to purchase the outstanding 1999 Tax Allocation bonds on October 01, 2009. The 1999 TABS were held with a fiscal agent and recorded as an asset in the Public Financing Authority (PFA); a blended component unit of the City. Effective September 1, 2015 the 2015 Refunding Bonds were issued and the proceeds were utilized to defease the 1999, 2003A, and 2003B TABS resulting in the subsequent call and defeasance of the 2005 PFA Revenue Bonds on October 1, 2015.

* Tax Increment Revenues are no longer allocated to (former) Redevelopment Agencies. Amounts reflected subsequent to FY 2010-11 reflect Gross Redevelopment Property Tax Trust Funds related to the former Redevelopment project areas and are useful for assessing debt service coverage; but are only available to the Successor Agency to the extent of the underlying debt.

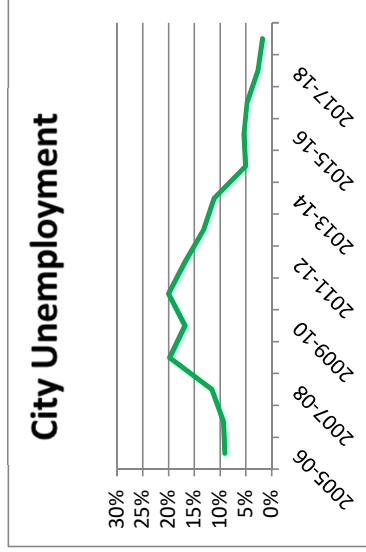
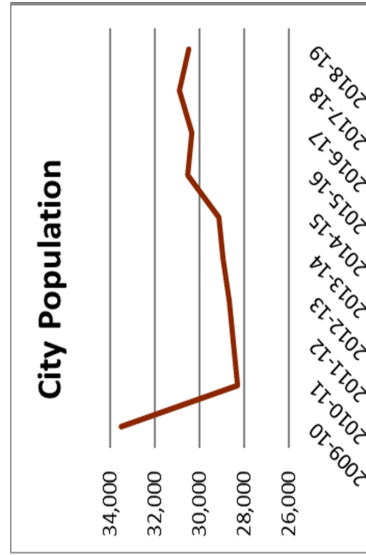
Any Gross RPTTF available after payment of debt and other obligations is distributed to taxing agencies.

** In FY 2015-16, payments from 1999 TABS includes proceeds from 2015 Refunding Bonds paid to PFA.

*** In FY 2018-19, total increments include approximately \$2.3 million in supplemental payments related to prior activity.

City of East Palo Alto, California
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	City Unemployment Rate (2)	Per Capita Personal Income (3)	County Unemployment Rate (2)	County Per Capita Personal Income	Public School Enrollment (4)
2008-09	33,164	19.80%	18,364	8.60%	69,562	4,554
2009-10	33,524	16.80%	17,942	7.10%	67,964	4,385
2010-11	28,300	20.00%	18,368	8.30%	69,577	4,290
2011-12	28,467	16.80%	19,690	7.10%	74,582	4,296
2012-13	28,675	13.20%	19,978	5.50%	75,674	4,077
2013-14	28,934	11.20%	20,302	4.60%	76,901	4,030
2014-15	29,137	5.10%	20,438	3.20%	77,414	4,216
2015-16	30,545	5.40%	20,785	3.40%	78,728	4,058
2016-17	30,340	4.80%	21,785	3.00%	82,517	3,853
2017-18	30,917	2.70%	23,171	2.20%	87,767	3,632
2018-19	30,499	1.80%	24,440	1.70%	92,576	3,436



Source: San Mateo County Assessors, MuniServices, LLC / an Avenu Insights & Analytics Company
Source: 2013-14 and prior, previously published CAFR Report

Notes:

The California Department of Finance demographics estimates now incorporate 2010 Census counts as the benchmark.

- (1) Population Projections are provided by the California Department of Finance Projections.
- (2) Unemployment Data are provided by the EDD's Bureau of Labor Statistics Department.
- (3) Income Data is provided by the U.S. Census Bureau, 2010 American Community Survey.
- (4) Student Enrollment reflects the total number of students enrolled in the Ravenswood City Elementary. Tax Rate as represented by TRA 021-000

City of East Palo Alto, California
Principal Employers
Last Fiscal Year and Four Years ago

Business Name	2018-19		2014-15	
	Number of Employees	Percent of Total Employment	Number of Employees	Percent of Total Employment
Ravenswood City School District	332	2.20%	551	3.67%
Ikea*	288	1.91%	331	2.21%
Four Seasons Hotel - Silicon Valley	270	1.79%	296	1.97%
Ravenswood Family Health Ctr**	212	1.40%	183	1.22%
Home Depot	195	1.29%	156	1.04%
City of East Palo Alto*	117	0.77%	106	0.71%
NTT i3	85	0.56%	111	0.74%
Target	70	0.46%	-	0.00%
Nordstrom Rack	60	0.40%	70	0.47%
Eastside College Preparatory School	-	0.00%	72	0.48%
Total Top Employers	1,804	9.75%	2,092	10.27%
Total City Employment (1)	15,100		15,000	

Source: San Mateo County Assessors, MuniServices, LLC / an Avenu Insights & Analytics Company
Source: 2014-15 count is from prior published CAFR

Notes:
Results based on direct correspondence with city's local businesses.
**Includes full and part time.
(1) Total City Employment provided by EDD Labor Force Data.

City of East Palo Alto, California
Number of Positions - City Government by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2009-2010	2010-2011	2011-2012	20102-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
General Government	22.0	22.0	24.6	24.6	27.6	25.1	21.0	23.0	23.0	23.0
Public Safety	44.0	41.0	40.0	38.0	38.0	36.0	36.0	36.0	36.5	37.3
Police	7.0	7.0	7.5	9.5	9.5	8.0	9.5	9.5	9.5	9.0
Officers										
Civilians										
Community Development	2.0	2.0	5.5	5.5	7.0	8.0	4.0	4.0	5.9	6.5
Administration	6.0	6.0	5.0	5.0	2.0	-	-	-	-	-
Economic Development/Redevelopment Agency	5.0	5.0	3.0	3.0	4.0	3.0	3.0	4.0	4.0	4.0
Planning Division	5.0	5.0	3.0	3.0	4.0	5.0	6.0	7.0	7.0	7.0
Building Services Division	-	-	-	-	-	2.0	2.0	2.0	3.0	3.0
Housing Division (Rent Stabilization)	-	-	5.0	5.0	6.0	6.0	-	-	-	-
Engineering Services (To Public Works FY2015-16)	-	-	11.0	11.0	11.0	12.0	-	-	-	-
Maintenance Division (To Public Works FY2015-16)										
Public Works (Restored in 2015-16)	2.0	2.0	-	-	-	-	2.0	2.0	2.0	2.0
Administration Division	6.0	6.0	-	-	-	-	5.0	5.0	5.0	5.0
Engineering Services Division	12.0	12.0	-	-	-	-	12.0	12.0	12.0	12.0
Maintenance Division										
Culture & Recreation (Restored in 2015-16)	2.0	2.0	-	-	-	-	1.8	1.0	1.0	1.0
Administration(From Gen Government FY15-16)	2.0	2.0	-	-	-	-	1.0	1.0	1.0	1.0
Recreation(From Gen Government FY15-16)	1.6	1.4	-	-	-	-	1.6	2.4	2.4	2.2
Senior Services (From Gen Government FY15-16)										
Housing Services (Eliminated 2012) & Rent Stabilization*	5.0	5.0	-	-	-	-	-	-	-	-
Total	121.6	118.4	104.6	104.6	109.1	105.1	104.9	108.9	112.3	112.9

Source: City of East Palo Alto Government Budget.

Notes:

* Rent Stabilization positions (2) transferred to General Government in 2012.

City of East Palo Alto, California
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2009-2010	2010-2011	2011-2012	20102-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Police										
Calls for Service	35,736	35,337	31,277	28,443	29,123	28,253	31,312	30,745	28,087	29,375
Number of serious crimes *	551	440	475	572	510	387	174	116	319	164
Number of burglaries	424	399	425	285	213	180	93	97	78	82
Number of assaults	385	316	350	460	436	306	284	239	238	276
Number of auto thefts reported	213	194	123	134	174	132	393	86	101	192
Number of homicides	9	2	10	8	4	6	4	1	1	3
Number of robberies	137	104	102	87	60	65	77	48	69	57
Number of physical arrests	1,172	1,385	612	635	640	965	1,462	1,433	984	904
Community Development										
Transportation										
Shuttle Passengers										
**** Caltrain/Commuter Shuttle	32,872	46,894	65,770	72,878	76,879	85,259	28,901	7,978	-	-
*** Shopper Shuttle (now Redwood City #4)	5,186	7,666	8,734	4,197	4,076	-	-	-	-	-
*** Youth Shuttle (now MidTown #3)	18,471	13,233	14,557	7,185	4,539	-	-	-	-	-
*** Weekend Shuttle	17,783	13,509	15,382	12,865	23,582	-	-	-	-	-
Streets										
Street Resurfacing (lane miles)	1.30	4.40	1.6	-	2.5	0.8	-	-	-	-
Potholes repaired	67	20	42	29	16	61	94	98	159	152
Engineering										
Encroachment permits	44	42	55	41	49	57	109	67	-	44
Culture & recreation										
Facility Rentals	27	21	25	35	74	24	41	67	58	55
Lunches Served to Seniors	9,225	8,437	7,331	6,842	5,784	3,471	6,662	9,112	6,509	3,094
Transportation trips provided to Seniors	3,375	3,234	3,580	2,743	2,183	3,012	3,020	2,996	2,606	2,349
Community Event participants	2,600	1,800	2,450	5,200	4,900	3,300	2,600	3,762	3,600	3,820
Fit Zone/Clean Zone Participants	206	150	122	10,074	5,436	6,300	1,116	2,655	194	500
Building Permits Issued:										
Residential - Count	425	373	577	408	324	297	391	590	506	442
Commercial Count	22	22	52	36	126	49	43	60	29	31
Water**										
Hydrant Breaks	7	7	8	9	9	8	12	3	4	7
Water main breaks	6	12	16	21	5	18	19	7	3	13
Average daily consumption per family (in gallons)	332	224	229	385	239	201	200	217	223	258

Source: City Departments

Notes:

- * Crimes against a person (homicide, rape, robbery, assault)
- ** The water related data was obtained from American Water Company which services approximately 90% residents in East Palo Alto
- *** Shuttle services were eliminated in fiscal year 2014-15
- **** Shuttle service was eliminated as of September 2016

City of East Palo Alto, California
Capital Asset Statistics by Function
Last Ten Fiscal Years

FUNCTION	Fiscal Year									
	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
General Government										
Public Works & Community Development	1	1	1	1	1	1	1	1	1	1
Housing	1	1	1	1	1	1	1	1	1	1
Highways & Streets										
Streets (miles)	38	38	38	38	38	38	38	38	38	38
Streetlights	827	827	827	827	827	846	846	846	846	846
Traffic Signals	14	14	14	14	14	14	14	14	14	14
Culture & recreation										
Parks (number of parks)	6	6	6	6	6	6	6	6	6	6
Parks acreage (acres)	16	16	16	25	25	25	25	25	25	25
Senior Center	1	1	1	1	1	1	1	1	1	1
Cooley Landing Learning Center	-	-	-	-	-	-	-	-	-	-
Water *										
Water pipelines (miles)	39	39	39	39	39	39	39	39	39	39
Fire hydrants	230	230	283	283	283	283	290	330	330	330
Maximum daily capacity (millions of gallons per day)	2	2	2	2	2	2	2	2	3	3

Source: Various city departments

Notes:

* Data obtained from American Water Company, which services services approximately 90% residents in East Palo Alto.